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World News

India warns
of war as
Kashmir
crisis grows

Mr V. P. Singh, the Indian Prime Minister, told parliament that India should be "psychologically prepared" for war as the crisis in Kashmir deepened.

The growing sense of crisis in New Delhi was exacerbated when Kashmiri militants claimed responsibility for two bombs which exploded in the Indian capital, injuring nine policemen. Page 20.

HK passports row
A British Foreign Minister embarrassed and annoyed diplomats representing France, Germany and other countries by presenting what they regarded as an exaggerated and premature report of their governments' plans to grant passports to Hong Kong people. Page 6.

Hostages fly home
Three European hostages released by Palestinian extremists in Lebanon were due to arrive in Paris last night as the French Government thanked Libya for its part in ending their 2½-year ordeal. Page 6.

UK journalist fined
A reporter for a British trade journal who had refused to reveal a source was fined \$5,000 (\$8,200) after a judge ruled out prison for "an otherwise perfectly honourable man." Page 11.

Opposition wins
Yugoslavia's northern republic of Slovenia moved closer towards independence after the opposition coalition, won an absolute majority in the elections. Page 2.

Alliance proposals
Soviet Union accepted the idea of "a great alliance for democracy from the Atlantic to the Urals," suggested by Mrs Margaret Thatcher, Britain's Prime Minister. Page 20.

Tanzanian floods
The worst floods in nearly 50 years have killed 52 people and swept away 4,000 homes in southern Tanzania, police said.

ANC delegates
African National Congress (ANC) will be represented by a relatively moderate delegation when it holds its first formal talks with the South African Government early next month. Page 6.

EC policy group
EC leaders will set up a high-level group to study political union at their Dublin summit later this month, forecast Charles Haughey, Irish Prime Minister and current EC President. Page 20.

Shuttle launch delay
Launch of the US space shuttle Discovery was delayed for at least 24 hours. It will carry five astronauts and a telescope allowing observation of deep space. Page 6.

Drugs plan split
Differing approaches to tackling demand for illicit drugs emerged during the second day of the world drugs summit in London, underlining the problems of achieving a co-ordinated response. Page 6.

King to visit Romania
Exiled King Michael of Romania would leave Switzerland on Thursday as scheduled for his first visit to his native country in more than 40 years, his eldest daughter said.

Wales for president
Mr Lech Walesa, Poland's Solidarity leader, said he would run against President Wojciech Jaruzelski for the presidency. Page 2.

Lot of hot air
A three-man Japanese team will attempt the world's first hot-air balloon flight from Tibet to Nepal over Mount Everest in early May.

Business Summary

Hoylake to
continue US
battle
for BAT

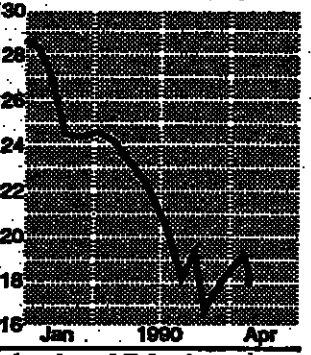
Mr James Goldsmith's Hoylake consortium said it would continue the US regulatory battle in its effort to take over BAT Industries, the tobacco-based conglomerate, despite receiving a serious setback in California.

Hoylake requires approval from nine separate state insurance departments to take control of BAT and, by implication, its Los Angeles-based insurance subsidiary, Farmers Group. It proposes to sell Farmers to Axa Mid Atlantic, a French insurer, if it makes a successful offer for BAT. Page 21.

MARKETS: Gilts ended lower, as concern rose that UK inflation is increasing more sharply than expected. The benchmark Treasury 11% 2003/2007 was down 14 at 98½ to yield 12.01 per cent. Page 27. Weakness

UK Gilts

FT-A All Stocks Index



in bonds and Tokyo's overnight fall discouraged most markets, with profit-takers active in Frankfurt and Paris. Back page, Section II.

BRITISH venture capital group, 31, linked with Industrial Bank of Japan (IBJ), the country's top long-term credit bank, to establish a venture capital company in Japan. Page 21; Lex, page 20.

EUROPEAN banks and credit card companies have drawn up a voluntary code of conduct to protect the owners of lost or stolen credit cards. Page 3.

BOMBARDIER, the Canadian transportation equipment group, has agreed to buy Learjet, maker of the business jet, for \$7m and the assumption of \$30m of outstanding debt. Page 23.

MYTOSHI Metal, Japan's largest smelting company, and Mitsubishi Mining and Cement, a leading building materials producer, announced plans to combine their activities. Page 25.

EUROPEAN Commission approved payment of (Ecu2m) (\$2.40m) of state aid to the Italian steel sector, in response to signs that restructuring is going ahead. Page 3.

NISSAN Motor, Japanese automotive group, has dispatched Mr Isamu Kawai, a senior executive, to take charge of Fuji Heavy Industries, its Subaru car making affiliate which has run into difficulties. Page 25.

ARGENTINA's retail price inflation for March reached 95.5 per cent, bringing accumulated inflation for the last 12 months to 20,269 per cent. Page 4.

TIME Warner, media and entertainment group, has agreed to arrange a \$600m bank loan to help Mr Giancarlo Parretti, Italian financier and head of Pathé Communications, in his \$1.2bn proposed acquisition of MGM/UA. Page 22.

GDANSK shipyard will be sold to shareholders at 10,000 zlotys (\$1.05) each, with 20 per cent going to shipyard workers at half price before 1990, reports AP. Founding capital to total about 200,000 zlotys (\$1.4m).

INSOLVENCIES in the UK rose sharply in the first three months of this year, due to the effects of high interest rates. Page 10.

Cult of Genghis Khan stirs Mongolian nationalism

By Robert Thomson in Ulan Bator

CHARISMA may have helped President Mikhail Gorbachev in his drive for perestroika in the Soviet Union, but among the leaders of Mongolia's democratic revolution, it is considered a character flaw.

This is somewhat surprising since another prominent Mongolian, one Genghis Khan, is making something of a comeback as a symbol of renewed nationalism in this remote outpost of the Soviet empire.

Yesterday, an extraordinary congress of the Communist Party opened in Ulan Bator,

the Mongolian capital. Exchanges between the party and the opposition were characterised by speakers on the dour side of the podium.

Unlike Mr Boris Yeltsin, Moscow's fire-breathing reformist, Mr Sanjaarsuren Zorig, head of the Mongolian democratic movement, is chiefly admired for his ability to suppress surplus emotion.

Mr Zorig was voted the country's second most popular person in 1989, behind a scientist and ahead of a wrestler. Part of

his success lies in convincing people that politics doesn't have to mean Stalinism: although his own movement is being torn apart this week by a theoretical debate on class conflict.

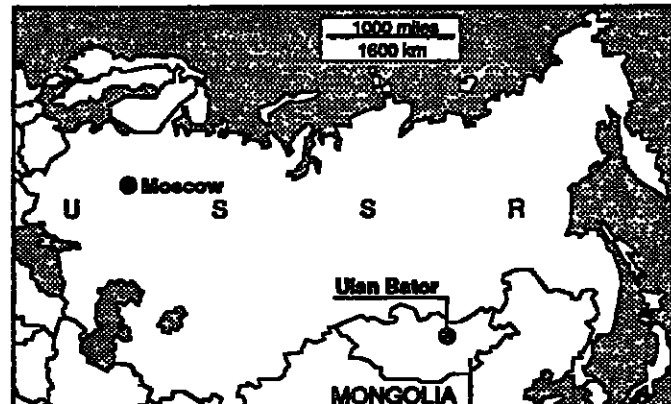
Still, for some delegates, the congress is their first experience of democracy, let alone the capital. In Ulan Bator, many of the 500,000 residents have built picket fences around their yurts (circular skin or felt-covered tents).

The Mongolian Communist Party promised to give up its

69-year-old monopoly of power after mass demonstrations last month and it is coming under increasing pressure to speed up reforms and introduce free elections.

Mongolia has still to come to terms with the devastation of its culture. Dozens of Buddhist monasteries were razed after the 1921 revolution in Ulan Bator to make way for Stalinist wedding cake-style buildings and the obligatory, oversized square in the centre of the city.

Communist Party officials Continued on Page 20



Soviet leader steps up pressure on Baltic republic to end its independence 'adventure'

Lithuanians
face threat
of direct rule

By John Lloyd in Moscow

SOVIET President Mikhail Gorbachev is prepared to impose direct presidential rule on Lithuania, the rebellious Baltic republic, only as an "extreme measure".

He told the opening session of a Congress of the Komsomol Communist youth movement that he would intervene to end the declared independent status of the republic in the event of civil conflict.

Mr Gorbachev's warning increases still further Moscow's sustained campaign of pressure on the breakaway republic. It also coincides with indications that the Soviet authorities are preparing to take economic sanctions against the republic.

Mr Vytautas Landsbergis, Lithuania's President, responded to Mr Gorbachev's statement yesterday by sending him a brief but emotive telegram. It said: "Esteemed President, we are very concerned that ultra-right, imperialist forces are compelling you to take the wrong step and continue the mistakes of 1940 [when Lithuania was incorporated into the Soviet Union]. Do not go further in this."

"In the name of peace, justice and concord, do not do this."

However, Mr Gorbachev's message was later underscored by his spokesman, Mr Arkady Maslennikov, who told journalists: "It is obvious that the President and the Government have sufficient powers to take other measures (than seeking a political settlement) to defend the constitution, rights and

interests of Soviet citizens if events develop in an undesirable way."

Mr Maslennikov said the Lithuanian parliament annulled all the decrees it had passed in the past month.

"The President is showing great patience and restraint. We do not want to quarrel with Lithuania. We want a reasonable approach," the spokesman said.

In his speech to the Komsomol, Mr Gorbachev described the decision by the Lithuanian parliament to declare independence as "an adventure" - but not one that was irreversible.

He said a referendum on the issue should be held in the republic and expressed confidence that a plebiscite would show that Lithuanians favoured a form of independence which included activities like all Soviet republics.

Meanwhile, Moscow indicated yesterday that economic pressure on the republic was being stepped up. Mr Maslennikov denied that there was any question of an economic blockade of the republic but said that many Soviet enterprises were hesitating to sign new contracts with Lithuanian partners.

In addition, Mr Alexander Troshin, deputy chairman of Gosplan, the state planning agency, said the Soviet Union would react to Lithuanian independence by charging the republic world market prices, in hard currency, for its oil supplies, rather than the present highly-subsidised roubles



Mikhail Gorbachev tells a Young Communist League conference yesterday that he does not rule out the imposition of direct presidential rule to solve the Lithuanian crisis

the month. This would forestall parliamentary defeat of the plans which Dr Leonid Abalkin, the Deputy Prime Minister in charge of economic reform, admitted on Monday would bring a "negative reaction."

Mr Troshin, quoted in the newspaper Trud, also said the USSR would have no interest in buying such Lithuanian goods as milk, meat and consumer products "because these goods are more expensive on the domestic market than in the world."

Mr Gorbachev is also to use his presidential powers to force through the package of pro-market reform measures, expected to be announced in

the month. This would forestall parliamentary defeat of the plans which Dr Leonid Abalkin, the Deputy Prime Minister in charge of economic reform, admitted on Monday would bring a "negative reaction."

He said a joint meeting of his Presidential Council and the Council of the Federation on Saturday was expected to make "difficult but necessary decisions" on the plans, the implementation of which would require a "national consensus."

Mr Gorbachev admits Communist Party faces split, Page 2; Soviet Union warns to Thatcher vision, Page 20

UBS subsidiary said to agree
compensation on Blue Arrow

By Richard Waters in London

UBS Phillips & Drew, the London-based securities house owned by Union Bank of Switzerland, is understood to have agreed to compensate shareholders who lost money following the controversial \$37m (\$1.37bn) share issue for the Blue Arrow employment agency 2½ years ago.

P&D and Country NatWest, the sponsor to the issue, along with 11 individuals, face criminal charges over the way the failure of the Blue Arrow issue was not revealed to the London stock market.

Blue Arrow was attempting to raise funds for its \$1.2bn takeover of Manpower, the US employment group.

The P&D move marks a reversal of its stance two months ago, when it said it would not pay any compensation until any criminal proceedings over the way the rights issue was handled had been settled.

The firm's apparent change of heart follows a concerted campaign from leading institutional investors, some of which had threatened to withdraw

their business from the firm or take legal action if compensation was not paid.

A statement issued yesterday on behalf of the Institutional Shareholders' Committee, which is negotiating for compensation on behalf of more than 100 institutions, said that "constructive discussions" have taken place with P&D. As a result, "detailed proposals" are being framed which it is hoped will lead to a satisfactory conclusion.

This is understood to be an indication that agreement on compensation has been reached in principle.

However, it is not known whether the amount of compensation has been agreed. The National Association of Pension Funds, which issued the statement on behalf of the ISC, refused yesterday to give further details. It commented: "There should be compensation, though what the numbers are, it is too early to say."

It said that the short statement had been issued in an attempt to keep institutional shareholders informed about

the progress of discussions with P&D.

P&D said earlier this year that it was unwilling to pay compensation before any criminal trial, since this might be read as an admission of guilt on its part. Yesterday's statement from the ISC stressed: "The discussions continue to be on the basis that UBS-Phillips & Drew reject legal liability."

Negotiations have been under way since the end of February between P&D and a coordinating committee of the ISC led by Mr Donald Brydon of Barclays de Zoete Wedd Investment Management and Mr Ron Artus of Prudential Assurance.

County had offered unilaterally to compensate about 40 per cent of the investors, although it denied legal liability. The ISC also opened negotiations with County in February aimed at persuading the bank to increase its offer. Neither County nor P&D would comment yesterday on the progress of the discussions.

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Pere's gamble for power leaves
a very public bad taste

Mr Shimon Peres (left) has courted the ultra-orthodox parties and dissident members of Likud to secure office for Labour. In the face of public dismay at his tactics, he argues that the end justifies the means. Page 6

MARKETS

STERLING New York lunchtime: \$1.6376 London: \$1.635 (1.6395) DM2.765 (2.7725) FF9.2825 (9.3125) Sfr2.2475 (2.2525) Y292.25 (295.25) £ Index 87.2 (87.4)	DOLLAR New York lunchtime: DM2.765 (2.7725) London: DM1.6305 (1.6315) FF9.2825 (9.3125) Sfr2.2475 (2.2525) Y292.25 (295.25) Tokyo close: Y158.15	STOCK INDICES FT 100: 2,217.5 (-10.2) FT Ordinary: 1,732.5 (-8.8) FT-A All-Share: 1,089.42 (-0.5%) DJ Ind. Av.: 2,731.98 (+9.91) S&P Comp: 342.01 Tokyo: Nikkei: 28,024.65 (-773.25)
SEA OIL (Argus) Brent 15-day: \$16(17.075)	Fed Funds rates 3-mo Treasury bill: 8.015% Long Bond: 99½ yield: 8.521	LONDON MONEY 3-month interbank: 15 ½ (15¼)% Life long term: June 81½ (81½)

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EUROPEAN NEWS

Communist Party faces split, admits Gorbachev

By John Lloyd in Moscow

MR Mikhail Gorbachev, the Soviet President and Communist Party leader, admitted yesterday for the first time that the party faced the prospect of a split.

In a speech to the opening session of the 21st Congress of the Komsomol, the Communist Youth Organisation, he said that an appeal from the party central committee would be published next Tuesday aimed at rallying members in the run-up to the 28th Congress in July.

Mr Gorbachev is under pressure from hardliners to expel dissident and social democratic factions from the party to avoid such an eventuality.

But he said that the appeal should not be interpreted as a call for the expulsion of dissidents, thus distancing himself from a demand by Mr Yegor Ligachev, the leading orthodox communist on the Politburo,

that "revisionists" should be thrown out of the party.

Mr Ligachev said last week-end that the party had to purge all those "who preach revisionism, nationalism and social democracy. I think we cannot afford to postpone this process, otherwise a split in the party is possible".

His comments continue his recent attacks on Mr Gorbachev's leadership. He said: "In society there are forces which oppose socialism. There are also such forces in the party. The most dangerous thing is that we have allowed the party authority to weaken. This is our mistake, the main mistake of the political leadership."

Mr Gorbachev, by contrast, said that those who disagreed with party policies should leave of their own volition.

The President told the Young Communists, whose Congress is designed to subject

the organisation to a profound restructuring of its own, that the presidential council would discuss the clutch of measures aimed at promoting radical economic reform this weekend.

He told them that the country was going through a "crucial, most complicated" stage, marked by the aggravation of inter-ethnic tensions, social tension and shortages of consumer goods.

● Soviet air traffic controllers have threatened a two-hour strike on April 15, the first in their history, unless the Soviet parliament responds to their demands. The All-Union Air Traffic Controllers Association has called for retirement at 50, a working week of 36 hours and higher pay. An appeal to the Supreme Soviet, made last November, has so far gone unanswered, in spite of an obligation to respond within a month, the association says.

E German cabinet a very broad church

By Leslie Collitt in East Berlin

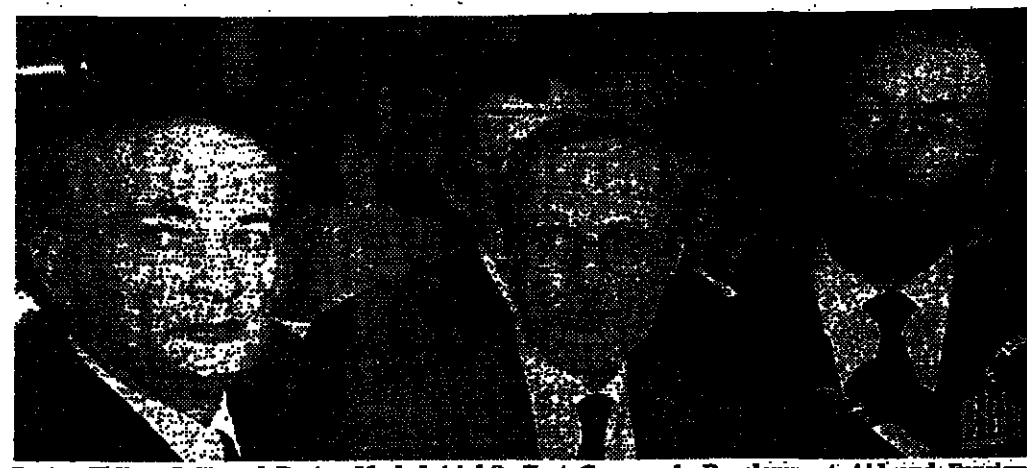
EAST GERMANY'S newly-formed coalition Government is as heavily weighted toward pastors, lay churchmen and academics as the old Communist leadership was packed with workers-turned-functionaries.

Mr Lothar de Maizière, the Christian Democratic (CDU) Prime Minister-elect, is a permanent lay official of the Protestant Church. His Foreign Minister is a pastor, as is the Defence Minister, who is probably one of the few holders of the office to be a confirmed pacifist.

This anomaly for a country which, although nominally Protestant, does not take religion too seriously, arises out of the special role played by the Protestant Church under the Communist regime. The Church was the sole institution not dominated by the neo-Stalinist party and was the breeding ground for opposition.

Mr Markus Meckel, a small town pastor and the highest ranking Social Democrat (SPD) in the coalition, regards his new post as Foreign Minister as a "dream come true." A co-founder last autumn of the East German SPD, Mr Meckel became acting head of the party when its leader, Mr Ibrahim Böhm, resigned over charges that he was an informer for the Stasi security police.

As Foreign Minister, Mr



Pastor Ebling (left) and Pastor Meckel (right), East Germany's Development Aid and Foreign Ministers, with PM-elect Lothar de Maizière, a lay official of the Protestant Church.

Meckel will not have much time left in which to travel because the East German Foreign Ministry on Marx-Engels Platz will vanish after German unification.

Mr Rainer Eppelmann, the new Minister of Defence and Disarmament, appears to be the ideal person to oversee the dismantling of the once-vaunted East German armed forces which are already in an advanced state of dissolution.

A bricklayer by trade, Mr Eppelmann spent eight months in prison in the early 1960s for rejecting military service. He was one of the most outspoken East German pastors throughout the 1980s

when his Samaritan Church in East Berlin became a centre of the unofficial peace and human rights movement.

But unlike many of the young people whom he protected and who are now active in leftist citizens' initiatives, Pastor Eppelmann co-founded the conservative Democratic Awakening party last autumn.

The most controversial pastor in the cabinet is Mr Hans-Wilhelm Ebeling, the ambitious head of the ultra-conservative German Social Union (DSU), which is allied with the

CDU. Mr Ebeling, whom fellow pastors accuse of having closed his church in Leipzig to demonstrators last autumn, had his eye on the Interior Ministry, but has instead been chosen as Minister for Development Aid, a lesser post in a debt-ridden East Germany.

The new cabinet is also replete with holders of academic degrees such as the respected Dr Walter Romberg, the new SPD Finance Minister who is both a mathematician and a church layman, as well as Dr Peter-Michael Diestel, a collective farm lawyer who takes over the Interior Ministry.

Pöhl warns on cost of East Mark generosity

By David Goodhart in Bonn

MR Karl Otto Pöhl, president of the Bundesbank, has warned that neither the central bank nor the West German Government will want to pick up the bill from an over-generous conversion of East Marks into D-Marks which could leave a DM50bn-DM100bn "hole" in the East German banking system.

Mr Pöhl asked who would pay the difference if the debts of the East German corporate sector and the housing system, together about 400bn East Marks, were converted at two to one, but cash and savings deposits at one to one.

He said: "It is questionable whether the Federal Republic is ready to take over an enormous part of the domestic debt of East Germany and pay the interest on it."

The spring report of West Germany's five economic institutes takes a slightly different line and toys with the idea of writing off the corporate sector's debt. If such a write-off was accompanied with a one to one conversion for savings it would require an injection of DM170bn and if the conversion was two to one it would cost DM70bn.

If the transitional East German government could raise such money it would cost DM150bn a year (at one to one) or DM100bn a year (at two to one) in debt service. However the institutes believe that the East German public sector deficit will also benefit from reduced subsidy payments and receipts of DM15bn to DM20bn a year from privatisation, and that public spending could soon be reduced to 35 per cent of GNP.

Mr Pöhl, however, says that the public sector deficit in 1990 will be 40bn to 50bn East Marks, excluding extra costs arising from currency union, and that this will be difficult to finance. "The Bundesbank will not finance public spending and the (East German) government's access to the capital markets will be limited," he said.

He also raised the question of who pays East Germany's foreign debt of DM40bn-DM50bn. The East Germans on the joint currency commission proposed that the Bundesbank takes over the foreign debt but Bundesbank representatives have argued it is against the rules which govern the bank. The Finance Minister in Bonn will probably have to carry the burden.

Mr Pöhl strongly supported the idea that East German citizens should benefit from privatisation through shares to be held in trust.

Slovenia moves closer to break

By Laura Silber in Ljubljana

YUGOSLAVIA'S northern republic of Slovenia yesterday moved closer towards independence after Demos, the opposition coalition, won an absolute majority in Sunday's elections.

Despite its sweeping success, however, it is widely believed the coalition's broad-based nature, ranging from the Peasant Party to the Green Party, will make any long-term stable government or co-operation difficult.

With nearly half the votes counted by yesterday evening, Demos had won 55 per cent in the first multi-party elections in Yugoslavia since before World War II.

Slovenia's Christian Democrats led in the Demos coalition with 13.2 per cent of the vote.

The strong showing of the seven-party opposition grouping reflects the popular mood for Slovenia to be released from a crisis-ridden Yugoslav federation which has been plagued with ethnic tensions, growing unemployment and a surge of nationalist discontent.

Mr Jozse Pucnik, Demos' presidential candidate, says he plans to call a republic-wide referendum to decide if Slovenia should be independent.

The former communists, the Party for Democratic Renewal (LCS-PDR), who have advocated autonomy but not fully-fledged independence, except if pushed by popular pressure, surprised observers by coming in second with 17.3 per cent.

But any thought that it might form an opposition alliance with the Liberals, who won 15.5 per cent of the vote, was yesterday ruled out by the latter, who remain one of the few non-nationalist opposition parties in Slovenia, and who are the successors to the radical communist Youth Organisation.

In the race for the presidency, Mr Milan Kucan, the popular LCS-PDR presidential candidate, won 44 per cent in the final vote, but failed to get an absolute majority. He now faces Mr Pucnik in a run-off on April 22.

However, LCS-PDR members are concerned that in the second round, the votes for Kucan's opponent, Mr Ivan Kramberger, a millionaire, may go to Mr Pucnik.

Superpowers discuss chemical weapons

US AND SOVIET negotiators met yesterday to prepare an agreement on destroying chemical weapons to be signed when the US and Soviet presidents meet at the end of May, Reuter reports from Geneva.

Following a decision taken by US Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze in Moscow last February, the two sides hope to draft an agreement to reduce their chemical weapons stocks to 5,000 tonnes each.

"We hope that by the end of this round there will be no problems," chief US negotiator Stephen Ledogar said, adding that if disagreements did remain Mr Baker and Mr Shevardnadze could deal with them in talks in Moscow in mid-May.

The talks are likely to last about two and a half weeks.

Presidents George Bush and Mikhail Gorbachev hope to remove remaining obstacles to

a Strategic Arms Reduction Talks (START) treaty at their May 30-June 3 meeting and sign agreements on limiting nuclear tests in addition to the poison gas accord.

The superpowers hold more chemical weapons than any other nation. Mr Ledogar said he hoped destroying most of their poison gas would speed progress in sponsored talks on banning all chemical weapons worldwide.

The ambassadors, shortly before starting discussions, said the two most important areas of disagreement were on when production should stop and destruction begin.

Moscow no longer makes chemical weapons while the US has continued in order to modernise its stocks with binary weapons, considered safer because they become lethal only when two components are combined.

Walesa to run for Polish presidency

By Our Foreign Staff

MR Lech Walesa, Poland's Solidarity leader, will run against President Wojciech Jaruzelski for the presidency, he announced yesterday, Reuter reports from Warsaw.

Earlier, Mr Krzysztof Pus, Mr Walesa's chief of staff, had said the Solidarity leader was

ready to force President Jaruzelski to quit and take over the presidency himself.

● The Gdansk shipyard where the Solidarity trade union was founded will be sold under new rules for creating private firms from state-owned enterprises, AP adds.

Bonn told to scrap heavy truck tax

THE European Community's executive said yesterday it would take West Germany to court unless Bonn scrapped a controversial new tax on heavy trucks, Reuter reports from Brussels.

The EC Commission said it sent a letter giving the government three weeks to justify the tax. If the response is not acceptable, the Brussels-based commission will press on with legal action before the European Court of Justice.

The West German parliament last month decided all heavy trucks using West German highways should pay tolls of from 1,000 to 9,000DM (\$600 to \$5,400) a year from July.

West German truck drivers, however, will be allowed to offset the levy against their annual road tax. EC states such as the Netherlands, which have agreed to a barrier-free road transport, are up in arms over the plan.

Brussels said it did not object to reasonable levies but said they should not put other member states at a competitive disadvantage.

Haughey expects summit to set up group on political union

By David Buchan in Brussels

EUROPEAN Community leaders will set up a high-level group to study political union at their Dublin summit later this month, Mr Charles Haughey, the Irish Prime Minister and current EC president, forecast yesterday.

After meeting Mr Wilfried Martens, his Belgian counterpart, he said the most likely outcome of political discussion on April 28 was the creation of another "Dooce committee" which could pave the way for a second intergovernmental conference (IGC) on moves towards political union. The EC is already committed to its first IGC, on monetary union, starting in December.

The original Dooce committee, set up in 1984 under the chairmanship of Senator James Dooce, a former Irish foreign minister, called for extended majority voting in the EC and set in train the 1985-86 negotiation of the Single European Act.

The idea for another such grouping has been percolating through the minds of federal-inclined EC leaders, and Mr

EC central bank governors will appoint a team of experts next month to help prepare the way for economic and monetary union.

Mr Karl Otto Pöhl, Bundesbank president, said yesterday, Reuter reports from Bonn. Speaking after a BIS monthly meeting, he said the five or six economists would start work on July 1.

Mr Einarsson Christoffersen, Commissioner for Monetary Affairs, attended the meeting. Mr Pöhl said work on preparing statutes for a European central bank was just beginning, and no decisions were likely before the end of this year.

Haughey said there was "a general mood that the Community should move fairly quickly with deepening its integration". He has consulted half his counterparts, including the leaders of West Germany, France and Italy.

The Irish premier, who will chair the Dublin meeting, said that the high-level group

would be composed of personal representatives of EC leaders.

He declined to take for granted opposition from Mrs Margaret Thatcher, whom he will see next week, in the course of his pre-summit consultations. "I would not like to contemplate going ahead without her," he said. But he added: "I've seen her agree to certain conclusions of which she did not approve, for the sake of consensus" and cited her acquiescence last December in the calling of an IGC on monetary union.

The concept of "political union" is, at this stage, less absolute than monetary union. So far the main plan that Mr Haughey said would be laid before a new Dooce committee is that of the "European government" which would give the power to the European Parliament and Commission, and for closer security co-operation in a way that could cause neutral Ireland problems - rather than the straight federalist structure which the Delors plan envisages in the monetary field.

Bahamas-registered disaster ferry passed recent safety test

The use of flags of convenience has little bearing on standards, reports Kevin Brown

THE loss of the Danish ferry Scandinavian Star, with the deaths of at least 176 passengers, has lent weight to a longstanding campaign by maritime trade unions for a ban on the use of flags of convenience by passenger ships.

But as the official inquiry into the disaster gets under way in Copenhagen this morning, there appears to be little evidence that this practice poses a significant threat to the safety of European shipping.

The Scandinavian Star was owned by a Danish company, but registered in the Bahamas, one of several countries which operate registers open to shipowners not domiciled in the host country.

These flags of convenience - properly called open registers - are most attractive to North European, North American and Japanese shipowners, who use them to escape the high costs of operating under the

flags of their own countries.

The main attraction of open registers is the ability to use seafarers from poor Asian countries, with a consequent saving in labour costs. They are disliked by the maritime trade unions in the developed countries because it is their members who lose their jobs when ships are re-registered.

The unions claim the qualifications of open register seafarers are not as good as those of seafarers employed under the traditional maritime flags, and that safety standards are lower because of laxity in checking and maintaining equipment and emergency procedures.

But the contention that open registers are unsafe is undermined by figures produced recently by the Institute of London Underwriters, which showed that some of the safest fleets afloat are flying flags of convenience.

The Institute found that the average loss ratio - the number of ships lost relative to the size of fleet - of 36 of the world's biggest fleets was 0.29 per cent in the period 1984 to 1988.

Three open registers had above average loss ratios - Cyprus on 0.6 per cent, the Philippines on 0.58 per cent, and Panama on 0.54 per cent. But three others were below average - the Bahamas and Liberia on 0.18 per cent, and Bermuda on 0.02 per cent.

The ratio for the Bahamas - where the Scandinavian Star was registered - was exactly the same as that for the US.

The figures confirm that the key issue for safety at sea is not the flag, but the enforcement of international regulations by the flag authorities. This falls into two parts.

● The structural integrity of the hull and equipment of ships is tested

by independent inspection organisations, known as classification societies.

The societies fall into two groups: half a dozen in Europe, North America and Japan whose standards and integrity are unimpeachable; and around 40 elsewhere whose standards vary considerably.

● Fire fighting, communications and lifesaving equipment, together with associated emergency procedures and crew training, is covered by various conventions of the International Maritime Organisation, principally the 1974 Safety of Life at Sea (Solas) convention. Flag authorities can either carry this out themselves or delegate the job to one of the classification societies.

Problems can arise if the flag authority sub-contracts this job to one of the newer classification societies in the Far East. However, the Bahamas uses only reputable societ-

ies in Europe and North America.

In the case of the Scandinavian Star, both groups of societies were carried out by Lloyd's Register, the oldest and most prestigious of the classification societies, which issued a Passenger Safety Certificate on behalf of the Bahamas register on January 19.

The ship was further inspected by Lloyd's Register in February as part of a special survey carried out every five years, and was also inspected for Solas conformity by the US Coastguard, which issued a Verification Control Certificate on February 5, allowing the ship to carry US passengers.

Mr Garry Beaumont, chief ship surveyor for Lloyd's Register, points out that the checks carried out by the society on open register ships are exactly the same as those on ships flying the flags of the traditional maritime countries, such as

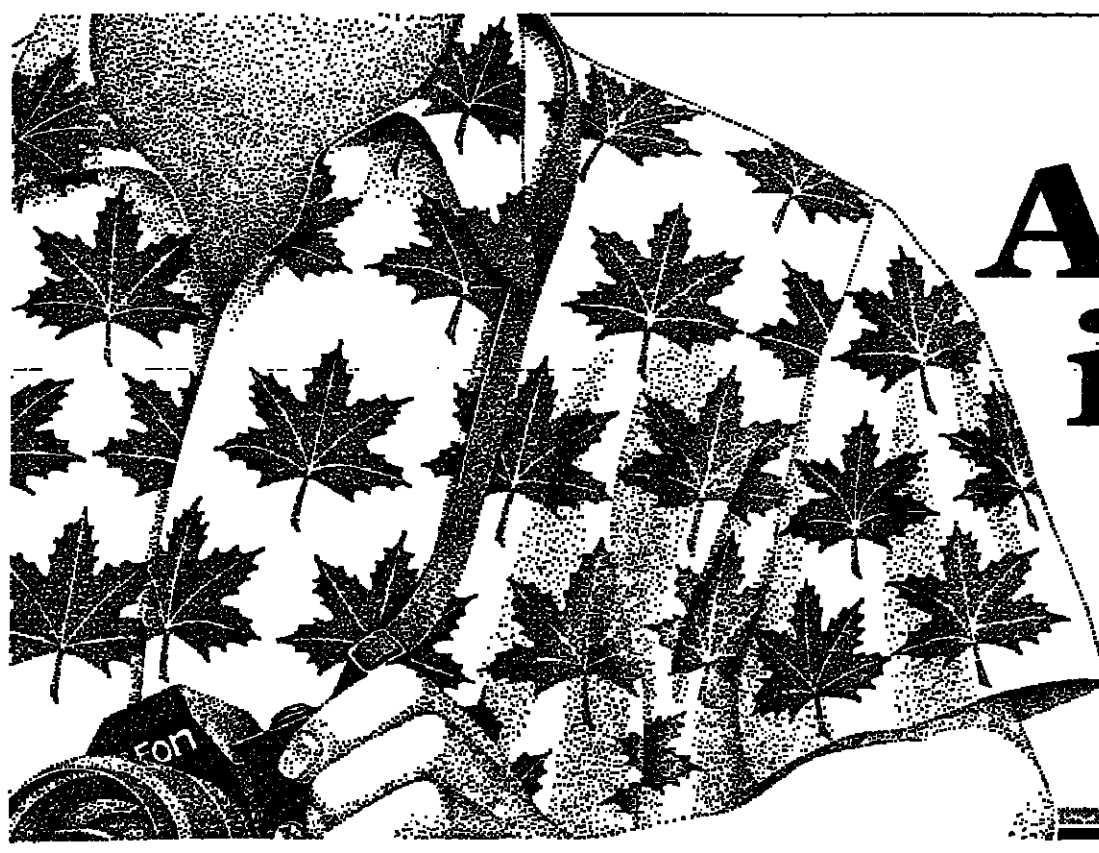
the UK or US.

In any case, the number of passenger ferries operating under flags of convenience in European waters is very small.

The International Transport Workers Federation said it was aware of only six, while figures produced by Lloyd's Maritime Information Services for Lloyd's List, the specialist shipping newspaper, identified 12, all flying the Bahamas flag.

The cause of the Scandinavian Star accident is for the Danish inquiry to determine, together with a joint commission set up to review general safety standards by Denmark, Sweden and Norway.

Both inquiries will want to consider whether the behaviour of the classification and registry authorities contributed to the disaster. But neither is likely to conclude that flag of convenience ships are inherently unsafe.



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EUROPEAN NEWS

Code to protect Credit card owners proposed

By Lucy Kellaway in Brussels

THE BIG European banks and credit card companies have drawn up a voluntary code of conduct to protect the owners of lost or stolen credit cards. Their action is a desperate attempt to forestall a Commission initiative to introduce a legally binding set of rules.

However, some Commission officials think the voluntary code does not provide enough protection. According to one, it could make a consumer liable for loss in nearly all normal situations when a card is mislaid or stolen.

Particularly worrying was a clause under which the cardholder is obliged to "take the necessary measures to immediately become aware of the circumstances (of the theft, loss, and to demonstrate that he took such measures".

The Commission has been considering the introduction of binding rules for several years, to bring the EC into line with the system operating in the US. However, an earlier attempt to introduce a directive essentially emerged in 1988 as a recommendation, after lobbying by the industry, which argued that it would be inappropriate to set firm rules when the technology was changing.

It was agreed that the voluntary system would be reviewed after a year.

The largest companies

which lose several hundred million pounds a year through card fraud and theft - have systems of their own at least as strong as that proposed by the Commission. However, Brussels is concerned about the standards followed by many retailers, which are issuing credit cards in increasing numbers. Consumers in some of the EC's smaller countries like Belgium are felt to be receiving inadequate protection.

The guidelines, which were issued by the EC Banking Federation, the Association of Co-operative Banks of the EC and the European Savings Banks Group, are designed to cover cards for cash withdrawal and electronic payment in shops, as well as credit cards. They provide for the "sharing of responsibility" between issuers and holders to cover loss, and aim to strike a balance between protecting the consumer and competition within the sector.

Under the code, the consumer would be partly responsible for any loss up to the moment at which the theft was reported, after which the issuer would be responsible.

However, the Commission's consumer services directorate feels that many obligations are being placed on the consumer. The Commission will decide shortly whether to press ahead with plans for a regulation.

Commission clears Italy steel aid

By Lucy Kellaway

THE European Commission yesterday approved payment of Ecu25m (£15bn) of state aid to the Italian steel sector, in response to signs that restructuring is going ahead.

Approval had been withheld for over a year because the Government refused to abide by an earlier decision to close the Bagnoli plant. Agreement on a date for closure was reached last December, and the Commission promised to approve the first slice of the Ecu25m total aid once it was confident that restructuring was proceeding as planned.

The money will be paid to Ilva, the new Italian company set up to house Finisider, the indebted and loss-making state-owned steel company, now in liquidation.

The Commission noted that certain plants had closed on schedule, other parts of the business had been privatised and Ilva's financial structure was in line with agreements.

Italy had justified postponing closure on the grounds that the steel market was strong enough not to need it.

Brussels has also dropped its opposition to a government injection of funds into Daimler, an Ilva, because other investors had also put in capital on the same terms.

Turks ponder the price of Kurdish revolt

A sullen defiance against Ankara is spreading to the towns, writes Jim Bodgener

INTIFADAH. The word hung heavy with menace in the parlour of Mr Muslu Yildirim, mayor of Nusaybin, a town hard up against the Syrian border in Turkey's troubled Kurdish south-east.

A full-scale revolt has not yet broken out, but frustration born of years of neglect is coming to a head in the region where at least 1,500 people have died since August 1984 in the insurgency by the Marxist separatist Kurdish Workers Party (PKK).

"We don't want a separate state," said Mr Yildirim. "But we want the same rights now as the Turks. We don't want to be treated as second-class citizens anymore."

Although the problem is largely economic, the root of the conflict lies in the Turkish state's denial of a separate identity to the Kurds. That even means that publications and music can be purchased in any language in Turkey except Kurdish.

But a new defiance has emerged in Kurdish areas. The turning point came in mid-March, when mourners demanding the body of a PKK guerrilla in Nusaybin were fired on by a special police team who killed one youth.

The shockwaves travelled down the Silk Road to another border town, Cizre, where four protesters were killed. A se-

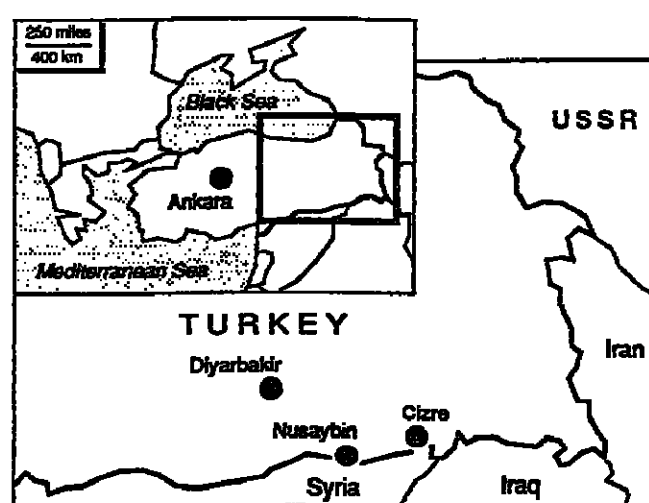
cond demonstration in Cizre a few days later was given free reign to rampage through its streets. In towns throughout the area, including the regional capital Diyarbakir, shop shutters have since come down in mute, day-long protests ordered by the PKK.

A special cabinet session presided over by President Turgut Ozal on Monday night doubled sentences for convicted PKK supporters and introduced strict curbs on the press. Earlier the same day, the death toll was released for the largest clash so far this year, in which 21 guerrillas and 15 others died in Hakkari province.

The government has tried to explain away the protesters as ignorant peasants and townsfolk led astray by PKK and leftist extremists supported from abroad. Officials in Ankara maintain that the PKK insurgency would collapse if its foreign support - mainly from Syria - was removed.

That is unlikely with the coolness in relations with Iraq and Syria - main entry points for the guerrillas - because of Turkey's staunching of the Euphrates river for a month early this year to fill the Ataturk dam.

The huge embankment project is the centrepiece of the \$6bn south-east Anatolian (GAP) development programme, a belated and perhaps



over-ambitious exercise to narrow the economic gap between east and west Turkey. On Monday, the Government also announced that 90,000 new jobs would be created in the region. But all this may be too late.

Syrian support for the PKK has moderated since a border security agreement was reached in 1987, but the guerrillas still train in the Syrian-controlled Bekaa Valley in Lebanon. Their main infiltration route is across the mountainous border - impossible to seal - between Turkey and Iraq. This winter, they have been using summer bivouacs vacated by the Iraqi army in

the 30-km cordon sanitaire it has cleared against *peshmergas* (those who fight till death) of the Kurdish Democratic Party (KDP) fighting against Baghdad.

Renewal of a Turkish-Iraqi "hot-pursuit" agreement, which lapsed in 1988, has not been agreed. On the Turkish side remain the camps of about 30,000 Iraqi Kurdish refugees from the Iraqi army's blitzkrieg against the *peshmergas* in the autumn of 1988.

Turkish opposition leaders seemed more interested in using the south-east during an extraordinary summit on terrorism with President Ozal in

late March as leverage for early general elections in the face of the ruling Motherland Party's (ANAP's) deep electoral unpopularity.

Neither the leadership of the main opposition Social Democratic Populist Party (SDP) nor former premier Mr Suleyman Demirel of the True Path Party is interested in meeting Kurdish aspirations. At the local level, party organisations are embedded in the establishment; the young turn to the PKK as the only alternative in a Robin Hood-like tradition of outlaws fighting against state repression.

Tribal and clan loyalties still determine allegiance to state or PKK in remote rural areas. In the most recent clash, security forces were reportedly supported by around 1,000 Jirki tribesmen with a blood feud against the PKK. But while the PKK is being contained in the mountains, Kurdish sentiment is gathering explosively on the plains.

Traditional allegiances have broken down in the towns and cities, where they have been interwoven with establishment lines of patronage. Both the populations of Cizre and Nusaybin have nearly doubled to 70,000 and 90,000 respectively because of an influx of peasants caught in a forced rural-urban migration throughout the region.

Brussels earmarks Ecu250m to help develop broadcasting

By Lucy Kellaway

AN Ecu250m (£184m) budget to rescue the Community's broadcasting industries from permanent underdevelopment was announced yesterday by the European Commission.

The money, to be spent over five years, will cover training, use of new technologies, production costs and distribution, and help encourage a secondary market in old films and programmes.

The Commission is still sensitive to the criticism that followed its "television without frontiers" directive last year and is trying to show that it is helping the industry in a positive way. That directive allowed for countries to set minimum levels of EC-produced programmes on their television channels and was

taken in the US as a sign of the Community's cultural imperialism.

The audiovisual sector is seen as one of the most important and fastest growing in the Community, and is expected to expand from Ecu25bn this year to Ecu35bn by the turn of the century.

But the Commission presented a grim account of the state of the European industry, which is losing out both to the US and Japan. The market remains almost exclusively national: some 90 per cent of productions are seen only in the country in which they are made, resulting in costs being too high and companies too small to take on the financial risks that are increasingly necessary.

Abolition of duty-free sales will hit air fares

By Paul Abrahams

ABOLISHING duty- and tax-free sales within the EC after the creation of a single European market will mean not only the end of cheaper holiday drinks, but also an increase in air fares and holiday costs, according to a report by Coopers & Lybrand Deloitte, the management consultants.

The report, prepared for the Brussels-based International Civil Airports Association, estimates the EC air transport industry stands to lose Ecu1bn (£740m) when intra-EC duty-free sales are abolished.

The study, which questioned more than 200 European airports, states that airport authorities stand to lose profits of Ecu 250m at 1988 levels. Additional costs will also be created by the need to alter the layout of terminals.

The loss of revenue and increased costs at airports are likely to be recovered by increased aircraft handling fees.

The report argues that the way these extra charges are

distributed will cause considerable problems. Non-EC carriers will be reluctant to bear the additional costs because they will still be carrying passengers able to buy duty-free goods. EC airlines will argue that their passengers, who will no longer need to pass through customs and passport facilities on internal Community flights, will use fewer airport resources.

Airport landing and passenger charges are likely to increase by an average 14 per cent, if the loss of income is shared equally between all airlines.

Ticket prices are likely to rise on scheduled flights by 2.3 per cent. Prices on charter flights will increase by 4.2 to 6.5 per cent, forcing up the cost of tour operator holidays by between 1.5 per cent and 2.3 per cent. The measure would increase pressure on European charter companies' margins.

Many have only made money in recent years because of duty-free sales.

Lyons sends its traffic problems underground

By William Dawkins in Paris

LYONS, France's second city, is to spend FF2.3bn (£347m) on a motorway, tunnel, and viaduct crossing to ease traffic jams in the city centre.

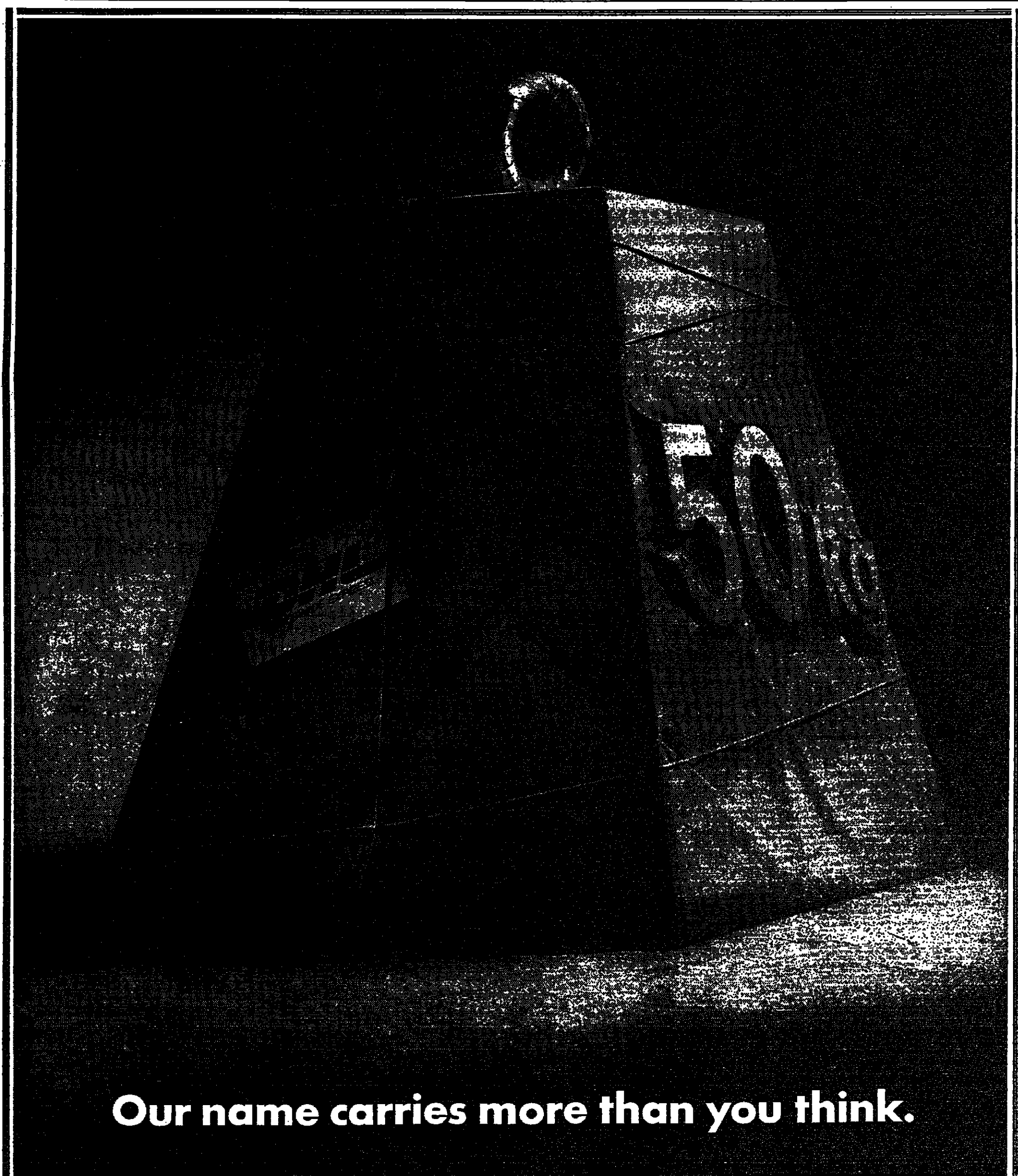
The 10km motorway will be

built by Bouygues, the leading French construction group, which will receive a 35-year concession to operate the road and charge motorists a toll, likely to be between FF4 and FF6 per journey.

The project, which is due to open in October 1994, was given the green light by Lyons city authorities just as Paris is in the final stages of assessing an ambitious underground motorway network of its own.

The Lyons scheme will link the city's northern and western suburbs via three tunnels, one of which will pass under the river Saône, and a viaduct.

Bouygues won the contract in competition with GTM-Dumez, another construction group. The two, and a subsidiary of Vianor Saurat, the state-owned steelmaker, are all competing for the Paris network, which could - depending on which plan is adopted - include up to 50km of tunnels to be built over the next 10 years and cost up to FF22bn.



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AMERICAN NEWS

US hard line may affect success of drug summit

By Robert Graham

WIDELY differing approaches to tackling demand for illicit drugs emerged yesterday during the second day of the world ministerial drugs summit in London, underlining the problems of achieving a co-ordinated international response.

It also became clear that none of the 112 delegations represented had firm data on the extent of cocaine use worldwide, the drug seen by the conference as the main threat.

The opposing views on dealing with demand were highlighted by the Dutch and US delegations. The Netherlands argued for a pragmatic policy of self control and social control with limited emphasis on law enforcement. But the US championed a strong element of legal measures accompanied by greater "user accountability", whereby the individual is penalised.

Although the US regards the Netherlands policy with extreme caution, pointing out the country's large drug transit traffic, the Dutch approach is being studied with growing interest in Europe.

Dr Eddy Engleman, head of drugs at the Netherlands Ministry of Health and Welfare, told the conference: "Criminal law and its enforcement are meant to reduce the supply of drugs, not to criminalise use. The Dutch prefer a policy of social control, adaptation and integration to a policy of social exclusion through criminalisation, punishment and stigmatisation."

Dr Engleman later told a press conference that official tolerance of marijuana had not led to increased use. In the age group up to 19 years studies



Members of the US delegation at the conference in London

showed 2 per cent used cannabis the previous month: the figures were higher in the US.

In contrast, Mr Louis Sullivan, US Secretary of Health, warned: "Our tolerance for drugs in the past has unleashed forces of unimaginable violence and hatred. The destruction is obvious to us all now - we have seen it felt, loathed it."

He insisted that drugs were not "a victimless crime". US policy to reduce demand, he said, had to be waged on two fronts: "We must create a climate of responsibility and we must strengthen and reinforce the appropriate research, prevention and treatment efforts to sustain public disapprobation of drugs."

Another American delegate,

Dr Herbert Kleber, maintained that his government's policies had led to a reduction in the casual demand for drugs since 1985, although overall demand had risen. The cornerstone of the Bush Administration was the concept of "user accountability". In the case of the business world this entailed drug testing of employees and holding them accountable "by imposing drug treatment and possible termination of employment upon discovery of drug use".

The United Nations, co-sponsor of the conference with the UK, is hoping that these differing views on reducing demand will stimulate the debate. But they are likely to dilute today's final declaration.

Chile is benchmark for Latin America

Leslie Crawford reports on one of the world leaders in selling off state assets

CHILE, under military rule, went further and faster in its privatisation drive than any other country in Latin America. And for institutions like the IMF, trying to coax other developing nations to take the same path, Chile became the foremost example of a country that successfully cut back the size of the state while encouraging the private sector to become the main engine of economic growth.

The motives behind General Augusto Pinochet's economic revolution had as much to do with politics as with his concern to balance the government's books. He was convinced that a strong economy based on private enterprise was the best guarantee against another Marxist government, such as the one he deposed in 1973. The neo-liberal economic theories in vogue in Britain and the United States suited him to an admirable degree.

Despite some harsh criticism levied against Gen Pinochet's final state of privatisations, the new civilian Government that took office on March 11 has decided to leave well alone. It has, however, put the privatisation

crusade in cold storage. In theory, all state sell-offs since 1985 are up for review, but Mr Rene Abeluk, the new chief of the state development holding company, CORFO, says President Patricio Aylwin's Government has no desire to re-expropriate. Legal action will only be taken if irregularities are found.

Mr Abeluk's main criticisms are that most of the privatisations were done behind closed doors and with little transparency, or public discussion, and that the haste to shed public assets led to lower sale prices.

He also believes the military regime made a basic mistake on public finance. He claims that many, if not most, of the public companies earned profits and provided a continuing source of revenue for the Treasury. Now that they have been sold off and the income from the sales allowed to spend - in part to subsidise tax reductions in the last few years - the new Government is being forced to raise taxes to finance social projects.

The breadth of the privatisations in Chile would leave even some of Mrs Thatcher's divest-



UNBUNDLING THE STATE

ture zealots feeling like failures. In fact, one independent study covering the period until September 1988 concluded that, taking into account the relative sizes of both economies, Chile had transferred twice the value of state assets to the private sector than Britain, and in half the time.

During Gen Pinochet's 16-year rule, the Government earned \$3.4bn from privatisations and reduced the state's share of the Chilean economy by one-third. However, the public sector in Chile still accounts for 40 per cent of GDP. The military regime's pri-

vatization drive took place in three distinct stages. Between 1973-74, the government privatised some 350 companies expropriated under the Socialist Government of President Salvador Allende, reaping \$1bn in the process. From 1975 to 1982, CORFO led a second wave of sell-offs, privatising 135 companies and 16 banks, many acquired during a period of business collapse in the late 1970s when the Chilean market opened internationally. That brought in another \$1bn.

But the final phase between 1985 and 1989 was by far the most significant, both in terms of its financial importance and the nature of the companies that were privatised.

Chile broke with a nationalist tradition in Latin America that places certain economic activities of "strategic interest" under state control (an ever-expanding category) and proceeded to redefine the kind of things the state should or should not be involved in.

The glaring exception to this rule is CODESA, Chile's (and the world's) largest copper producer.

It is the country's biggest export earner (\$3.5bn in 1988)

and source of taxes. Nevertheless, Chile's privatisation experiment has set a benchmark for the rest of the continent in what can be privatised and how it should be done.

Long before the bulk of the public sector companies were offered for sale, the military Government had transferred them into attractive investment opportunities by raising service tariffs, cutting subsidies and, in some cases, enforcing massive lay-offs.

Secondly, Chile's foreign investment code, the most liberal in Latin America, encouraged multinationals to bid for the Chilean companies up for grabs. Bond International bought a controlling stake in the Chilean telephone company CTC in 1987, and has just sold it at a handsome profit to Spain's Telefonos.

Similarly, the Scandinavian airline, SAS, is currently negotiating the purchase of a 30 per cent stake in Lan-Chile, the national flag carrier, privatised last year.

This is the seventh article in a series on privatisation. Previous articles appeared on the foreign pages on February 28, March 6, 13, 20, 27 and April 4.

EC plans boost in its aid for central America

THE European Community, eager to show that its support for reforming east European states does not mean less cash for other developing regions, plans to boost its aid to central America by half, Reuter reports from Dublin.

The EC's Commissioner for Latin America, Mr Abel Matutes, said yesterday that the European Commission was earmarking the extra funds for the region over the next two years.

"We plan an increase in funding in the order of 50 to 60 per cent, which demonstrates that we in Europe have no way reduced our obligations to the rest of the world," Mr Matutes said. He was speaking at the end of a two-day meeting of ministers from the two regions.

The EC's aid to central America currently amounts to about \$120m a year.

Thatcher at bay in Bermuda talks

Peter Riddell reports on how Bush may reassess relations with UK

THE MOST important question at this Friday's Bermuda meeting between President George Bush and Mrs Margaret Thatcher will be whether the US treat her and Britain differently in view of the Tories' domestic political problems.

Will Mr Bush begin distancing himself from Mrs Thatcher and treat her as a lame duck?

There is no sign of this so far in Washington. Indeed, there have been suggestions that Mr Bush wants to do what he can to help Mrs Thatcher.

The pictures of the central London riot and the prison disturbances have made a big impact in the US. Policymakers are mainly puzzled by what is going on in Britain, and seeking enlightenment wherever they can find it.

They are asking whether Mrs Thatcher can survive? But they have not yet moved on to conclude that she cannot.

So identified has Mrs Thatcher become with Britain over the past decade that any successor will have a difficult task in avoiding an exaggerated reaction - a belief, however crude, that it is back to the bad old days of the 1970s.

The could affect the beliefs and decisions of business investors as well as politicians. Hardly anyone in the US has the faintest clue who Mr Michael Heseltine is or what a Labour government would do.

Typical is the attitude of Mr Clayton Williams, the cowboy businessman Republican candi-

date for Governor of Texas, who when asked recently about Mrs Thatcher said: "The Iron Lady, you bet. She's done great things for Britain. I'm a great fan," before going on to compare her with Winston Churchill and Ronald Reagan.

Since Mr Bush became President there has undoubtedly been a change in US/British relations. Correction might be a more accurate term since relations were unacceptably close during the Reagan era because of the common West-

ern perspective on the Soviet threat.

It is, however, misleading to conclude from the inevitable focus on Bonn that Mr Baker and his advisers are somehow anti-British and pro-German.

British/US relations remain close at a working level, as they have been since the 1940s. There are few differences of substance between the US and Britain at present - apart from longstanding ones such as Hong Kong, over which there is in effect an agreement to disagree.

The problems which emerged earlier this year when

Mrs Thatcher assured American television viewers yesterday that she was not a lame duck, Lionel Barber writes from Washington. Two days before she flies to Bermuda to meet President Bush, Mrs Thatcher made light of the domestic unrest and sharp drop in her popularity. She hoped her Government would survive and win the next election.

"Not many people call me a lame duck," she told NBC breakfast television who interviewed her at the London drug conference, "usually I'm doing too much."

"Look at the record. It has produced a much better, more prosperous Britain, a much more influential Britain, a Britain no longer in decline but in the ascendancy again."

Asked about recent rioting in London and the unrest in British prisons, Mrs Thatcher blamed left-wing agitators and a pattern of imitation. "We are never intimidated, never," she declared.

Mr Baker, the Secretary of State, has become the pivotal European colleague for Mr James Baker, the Secretary of State.

By temperament Mr Baker is a deal-maker and therefore gets on well with Mr Genscher. But Mr Baker is by no means a fan of the more ideological Mrs Thatcher, and it is not just Continental Europeans she irritates with her tendency to lecture.

Britain has also suffered from having Mrs Thatcher as a partner in the European Community. It is, however, misleading to conclude from the inevitable focus on Bonn that Mr Baker and his advisers are somehow anti-British and pro-German.

Mrs Thatcher outspokenly expressed her reservations about the pace of German unification have now largely disappeared.

She has been more supportive publicly of what is happening in Germany following the creation of the two-plus-four framework (the two Germans plus the wartime allies) for discussing unification and Chancellor Helmut Kohl's more explicit assurances about the Polish border.

While there are obvious problems ahead, such as over the scale of forces stationed in Germany and nuclear weapons policy, these are not immediate.

Over the Lithuanian crisis, President Bush has apparently valued Mrs Thatcher's support and insights. The White House specifically referred to her telephone conversation with Mr Gorbachev as an influence on the president's letter to the Soviet leader at the end of last month.

It is, however, misleading to conclude from the inevitable focus on Bonn that Mr Baker and his advisers are somehow anti-British and pro-German.

While there is considerable interest in Washington in observing Mrs Thatcher at bay - a great subject for a 19th-century epic painter - there is the inescapable feeling that Britain is now, along with France, a second-rank European power. And one that is at best a somewhat reluctant participant in the great events under way in Europe today.

Fault delays Shuttle telescope mission

A last-minute technical hitch forced the postponement yesterday of the launch of the shuttle Discovery on a mission to lift a giant telescope into space that will help man probe the origins of the universe, Reuter reports from Cape Canaveral.

A fault in an auxiliary power unit halted the countdown four minutes before blast off. The launch will be delayed at least a week and possibly two.

Astronomers have waited years to see the Hubble Space Telescope put into orbit 380 miles above Earth.

Astronomers expect the \$1.1bn telescope, by far the world's most sophisticated, to reveal information about the origins of the universe, locate other planetary systems and search for signs of other life.

The launch is regarded by astronomers as the most exciting event since Galileo peered

at the stars through the first telescope.

The telescope can detect objects 10 times fainter and with 10 times more clarity than the best ground-based telescopes.

Scientists hope that it will enable them to look back 14 billion years in the universe's history - possible because light that left distant stars billions of years ago is only now reaching Earth.

The EC's aid to central America currently amounts to about \$120m a year.



FIERA MILANO

Fiera Milano promotes business openings at the 1990 Great April Fair

International contacts:

The International Co-operation, Development and Investment Exchange is a concrete enterprise, a new way to do business in the joint-venture field. The Exchange hosts a number of conventions and round tables linked to the theme of co-operation, development and investment, a meaningful dialogue on both a European and worldwide level. Foreign international delegations will present projects for international co-operation.

The Foreign Trade Hall is an integrated complex aimed at promoting foreign trade transactions and offering businessmen a rapid, up-to-the minute assistance service in the capable hands of experts in economics and finance, all backed up by the very latest information structures.

The U.S.S.R.: The Milan Trade Fair and the Moscow VDNH - two leaders with a common strategy. On 2 October 1989, the Milan Fair body reached an exclusive agreement with VDNH for the organisation of Italian exhibitions in the USSR. The Soviet Union will be present at the Great April Fair, their exhibition area covering 1,700 square metres. Sixty exhibitors will be participating and more than 200 Soviet firms will be represented, all intent on promoting business with European and Italian companies. The USA (with 16 companies and States), as well as Australia, Canada, Switzerland, Poland, other East European countries and ACP countries.

Conventions and Seminars on different economic topics will also take place. Of particular interest will be the third edition of the Latin America-Europe Convention, specially programmed for South American and European businessmen and organised by the Milan Fair body at the request of the European Community Commission. Trade missions from Asia, Africa, the Americas, Australia and Europe will be present at the Great April Fair in order to meet Italian and European businessmen.

Exhibitions for businessmen:

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Argentine inflation 'has peaked'

By Gary Mead in Buenos Aires

ARGENTINE's retail price inflation for March reached 95.5 per cent, bringing accumulated inflation for the last 12 months to 20,266 per cent.

However, government officials who announced the latest figures on Monday evening suggested that the country's recent hyper-inflationary burst is now in the past, and they forecast that April's figure could be lower than 20 per cent.

At the same time the Government announced a further increase in fuel prices. The 25 per cent average increase in petrol and diesel is an attempt to increase revenues at a crucial stage in Argentina's negotiations with the International Monetary Fund (IMF).

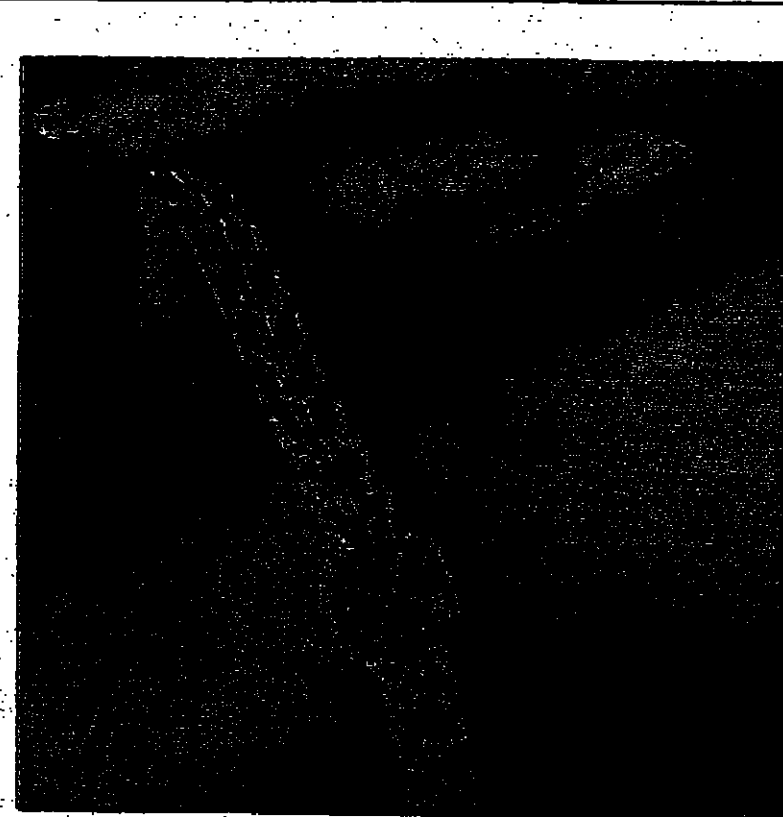
The IMF is closely monitoring Argentina's economic performance, with a view to unlocking a \$1.4bn standby loan agreed last October but which collapsed early this year.

Argentine government officials said last week they hope for a renewal of disbursements by the end of May, but the IMF is known to be sceptical concerning its plans to achieve a fiscal surplus.

Fuel price increases are the easiest means for the Government to boost its revenues, but the increases will inevitably be passed on to consumers, threatening the Peronist government's current fragile control of inflation.

Argentina's largest farming association, the Rural Society, estimates that each 10 per cent fuel increase raises total costs by 3.2 per cent.

Despite government suggestions that inflation is once more being brought under control, trades unions are now likely to lodge wage demands to keep in line with the last month's figures.



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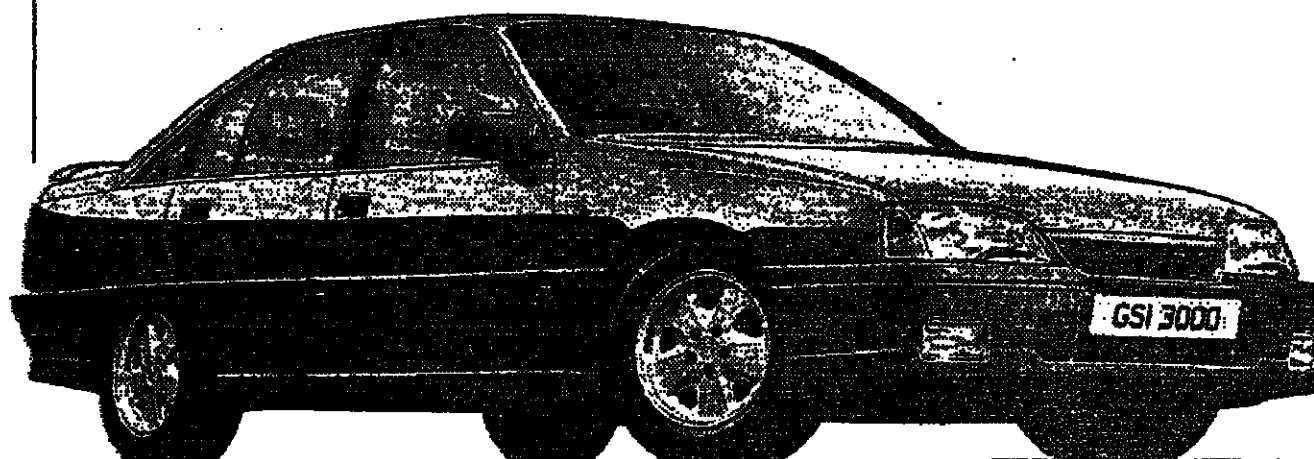
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OVERSEAS NEWS

London angers Europe over HK passport offer

By John Elliott in Hong Kong

MR FRANCIS MAUDE, British Foreign Minister responsible for Hong Kong, yesterday embarrassed and annoyed local diplomats representing France, Germany and other countries by presenting what they regarded as an exaggerated and premature report of their governments' plans to grant passports or rights of entry to Hong Kong people.

On the third day of a visit to the colony, Mr Maude said that plans being finalised by up to 20 other countries could "perhaps double" the UK's plan to give passports to 50,000 local residents of household contained in a Nationality Bill published last week in London.

He produced no statistics to support this ambitious claim but announced that France was "implementing a scheme to provide passports or right of entry for up to 1,500 employees of French companies and their families". Germany, Belgium and Luxembourg were "about to finalise schemes of broadly the same nature".

It is assumed that Mr Maude did this to head off criticism that the 50,000 is seen as too large by most British opponents and too small by Hong Kong people. But few countries are prepared to make guaranteed offers at this stage, and Mr Maude's move ruffled diplomatic tempers. A secretary at the French consulate said yesterday afternoon that the office had been closed to forestall floods of passport requests, and an official at the Belgian consulate said: "This has put us in a very difficult situation - I do not know where Mr Maude has got his information." A West German diplomat had "never heard about it".

The announcement followed several weeks of hectic diplo-



Mr Francis Maude

matic activity during which the UK has told its embassies in various foreign and commonwealth capitals to write the best statements possible out of their governments. But few have produced enough to satisfy Mr Maude, so he went further than any of the local consulates expected.

France has already issued rights of abode to between 50 and 100 key employees of its companies working in Hong Kong and is working on a package for a significantly bigger number. But a spokesman said it had made no decisions and he rejected any idea of a quota figure such as 1,500. Belgium is also working on plans, but seems more likely to offer limited right of entry rather than full passports.

Mr Maude correctly said that Singapore had a scheme for 25,000 heads of household, who can stay in Hong Kong for five to ten years after receiving admission papers. He also mentioned undefined flexibility in Australia and Canadian schemes, plus a Congress Bill on delayed entry for immigrants to the US.

HK group planning TV satellite station

By John Elliott in Hong Kong

HUTCHISON Whampoa, the Hong Kong property-to-telecommunications group, is drawing up plans for an international commercial television station covering Asia and the Middle East, using the AsiaSat communications satellite which was successfully launched by China last Saturday.

Hutchison, which holds a one-third stake in AsiaSat, has this week signed reservation contracts for an international commercial television station covering Asia and the Middle East, using the AsiaSat communications satellite which was successfully launched by China last Saturday.

With two beams or "footprints" covering an area from Bahrain to Japan, the satellite covers a population of 2.5bn,

which is regarded as a highly lucrative potential audience. Music, sports and news programmes, mostly in English and paid for by advertising, are being considered for transmission via satellite discs operated by countries, television stations, residential developments or individuals.

The Hutchison contract, which involves a \$300,000 down payment, brings to a total of 19 the number of transponders already booked on the satellite. Mr Terry Seddon, AsiaSat chief executive officer, said yesterday that South Korea also signed for three on Monday, and that four others had already been reserved by Mongolia, Burma and a Hong Kong company called Capital Communications which wanted to transmit music videos. Letters of intent had been signed with Nepal, Pakistan, Bangladesh and Thailand.

S Africa has 'soft landing' despite curbs

By Philip Gawth in Johannesburg

THE South African economy has enjoyed a soft landing despite restrictive monetary and fiscal policies pursued since late 1986. The South African Reserve Bank said in a report published yesterday.

The central bank's latest quarterly bulletin says the country's balance of payments, foreign reserves and exchange rate are satisfactory, but problems remain with inflation, expansion in the money supply and wage restraint.

The economy grew at slightly more than 2 per cent for 1989. This was down from 3.5 per cent the previous year, but better than the 1.5 per cent average for 1988-89.

Real gross domestic product declined in the fourth quarter at an annualised rate of 1.5 per cent, the first quarterly decline in output since the first quarter of 1988. Real gross domestic expenditure declined at an annualised rate of 7 per cent.

This was reflected in a mild strengthening in the current account surplus in the quarter to an annual level of R5.9bn (£1.36bn).

The bank observes that the rise in the current account surplus for calendar 1989 to R4.1bn from R2.9bn in 1988 was largely attributable to a "remarkable" 17 per cent volume increase in merchandise exports.

Gold and foreign exchange reserves, which rose in the previous three quarters, fell in the fourth quarter, partly because of a reduction in short-term foreign liabilities. But the bank adds that both gross and net foreign reserves rose encouragingly in the first two-and-a-half months of 1990.

Peres power bid leaves a bad public taste

Israel's Labour party argues that the end justifies the means, writes Hugh Carnegie

UNTIL a short while ago, it seemed an unlikely, even impossible prospect. Yet today Mr Shimon Peres, the leader of Israel's Labour party, will ask parliament to elect him Prime Minister. If he succeeds it will banish the Likud party he has failed to defeat in four general elections into opposition for the first time since 1977.

To the surprise of many, he appears likely to succeed. So finely balanced is the 120-member Knesset, summoned from the Passover recess for the vote, that Mr Yitzhak Shamir, the incumbent Prime Minister and Likud leader, will fight to deny Labour the vital few votes it needs to take over the government. But in the last few days, his chances of doing so seemed to diminish.

If he pulls it off, a Peres victory would represent a remarkable triumph of political manoeuvre that his supporters believe could transform a hitherto deadlocked political system. Not least, he intends to rekindle a US-proposed plan for Israeli-Palestinian peace talks which Mr Shamir blocked and which caused the collapse last month of the old Likud-Labour coalition.

Defeat for Mr Shamir, now 73, would almost certainly preclude moves within Likud to replace him and a battle within the party between hardline aspirants, such as Mr Ariel Sharon - the combative former defence minister - and Mr Shamir's favoured successor, Mr Moshe Arens, currently Foreign Minister.

The gamble for Mr Peres, previously Prime Minister for just two of his 13 years as Labour leader, has been great. The favourite line of commentators is that this is his last chance.

His efforts to unseat Likud have been

watched with passive but extreme scepticism by Mr Yitzhak Rabin, himself a former Labour premier who was always uncomfortable under Mr Peres.

Mr Peres has also risked a high public price for his ambition. There has been unprecedented public reaction to the levels of intrigue reached in the three weeks since President Chaim Herzog called on him to try to form a government, after Mr Shamir lost a vote of confidence in the Knesset.

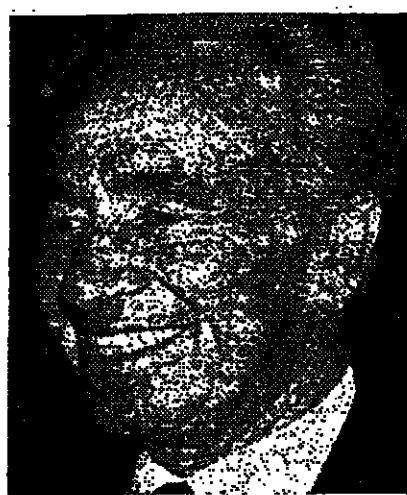
Last weekend, this prompted a demonstration in Tel Aviv in favour of electoral reform by more than 150,000 people, the biggest public protest since the outcry in 1982 against the massacre in Lebanon of dozens of Palestinians by Christian militia allies of the Israeli invasion force.

Public opinion polls show that more than 70 per cent of the electorate favour changing the present extreme version of proportional representation. The principal criticism of the system is that it produces such a profusion of small parties that the main Likud and Labour blocs are forced to bargain incessantly to secure the support necessary to form a government.

Such was the stalemate after the last two general elections in 1984 and 1988 that Likud and Labour reluctantly formed grand coalitions. Mr Peres was Prime Minister from 1984 to 1988 before being succeeded by Mr Shamir in a "rotation" agreement.

After the 1988 election, Mr Shamir managed to stay in control, but the uneasy nature of the partnership rendered it almost incapable of taking decisions.

It was Labour's frustration at Likud's refusal to accept US terms for talks



Peres: vital votes

with the Palestinians that led Mr Peres to try to form his own government without Likud.

The task seemed all but impossible at first, given that Labour had only 39 members in the Knesset. Support from small left-wing and Arab factions and Agudat Israel, one of the four religious parties, brought the numbers up to 60, but that was one short of a majority.

It was then that the real scheming began that has evoked such public disgust. First Mr Peres - a Kippa on his usually bare head - sought support from two more ultra-orthodox parties. These were the Shas and Degel Hatorah parties, with eight seats between them committed to Likud.

Labour and Likud both shamelessly

commandeered public funds to give to religious institutions as the new budget went through parliament. When that tactic failed, the Labour leader turned his attentions on five dissident members of Likud, upset by what they regarded as Mr Shamir's broken promises to them of office and other rewards. By making his own offer, Mr Peres last weekend secured the public support of one of this group, Mr Avraham Shari, thereby achieving the elusive 61 Knesset votes.

Mr Peres has shrugged off the public howls of dismay at this shabby process. He said that what matters is where his government would lead, not how it came into being.

His calculation is that once he gets into office, some of the small parties now allied to Likud may come his way for fear of being left in opposition. This would give him greater stability to resist attacks from Likud.

The Labour hope is that momentum would build up behind a Peres government as the public saw progress on the peace front after months of stalemate. The party expects strong support from the US and Europe and from the Soviet Union, which has so far hesitated to restore ties severed after the 1967 Six Day War.

In particular Mr Peres hopes to attract external help for the huge task of absorbing the hundreds of thousands of Soviet Jews expected to arrive in the coming years.

He has his eye on the next general election in 1992. But first there is today's vote in the Knesset to overcome, not to mention the fierce attacks from the right that would inevitably follow.

Jordan left uncomfortable by bitter Iraq-Israel squabbling

By Lamia Andoni in Amman

THE recent exchange of threats between Iraq and Israel puts the Kingdom of Jordan, which is sandwiched between the two, in a particularly uncomfortable position.

From the east, President Saddam Hussein has boasted about Baghdad's chemical weapons and threatened to destroy half of Israel if it strikes against Iraq. From the west, Israel has hinted at devastating nuclear retaliation against any Iraqi chemical attack.

As Arabs, and as military allies of Iraq, King Hussein and his Jordanian subjects have publicly welcomed President Saddam's stand against Israel. But as Israel's neighbours, and as allies of the West, they privately fear Israeli countermeasures and deplore the escalation of tension.

Even before the Iraq-Israeli exchanges Jordan was suffering the effects of the stalemate in the Middle East peace process. Over the past 18 months more than 15 attempts have been made by guerrillas to infiltrate across the Jordanian border into Israel, a measure of growing Palestinian frustration about the peace process and Israel's attempts to suppress the uprising in the occupied territories by force.

Despite having abandoned responsibility for the Israeli-occupied West Bank to the Palestine Liberation Organisation, Jordan continues to provide moral and financial support for the uprising.

A 60-member royal commission is to draw up a national charter aimed at ending a 30-year ban on political parties in Jordan, Lamia Andoni writes. The step is part of a series of a liberalisation measures which was initiated last November with a general election and followed by a peace accord with Syria which had paralysed political life. The national charter is expected to put an end to the exclusive status that the Moslem Brotherhood has enjoyed since 1958 and secure the commitment of the leftist and Pan Arab nationalist trends to the Hashemite monarchy.

Moreover, the migration of thousands of Soviet Jews to Israel has reinforced Jordanian fears that Israel wants to cause a mass Palestinian exodus to the East Bank as a prelude to transforming Jordan into a substitute Palestinian homeland.

Jordan, therefore - in the absence of any other effective Arab support - welcomes the emergence of Iraq as a military power which can act as a deterrent against Israel.

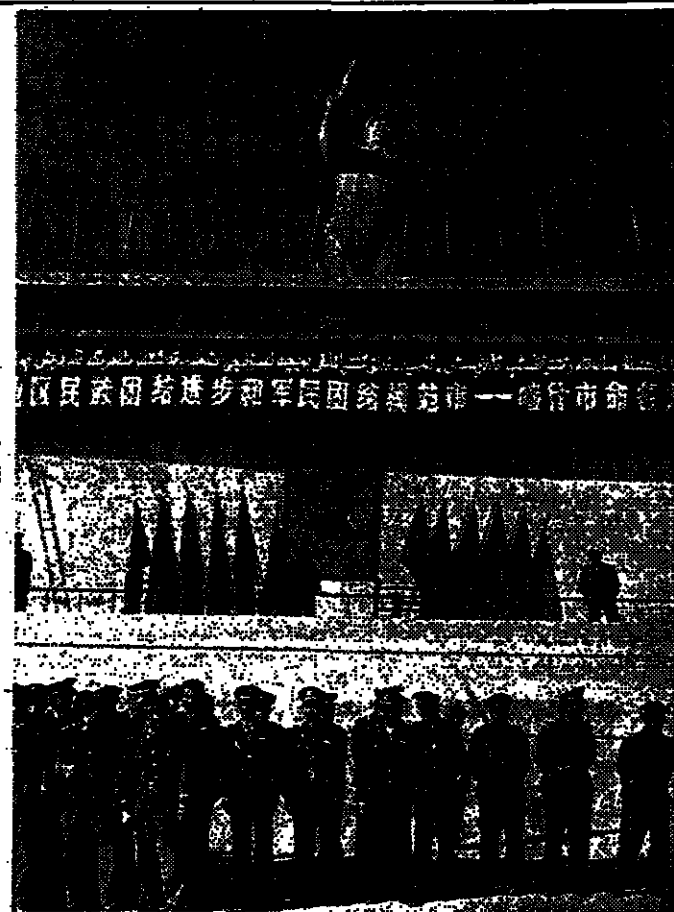
Jordanian officials, however, are less happy about the manner in which President Saddam plays his cards. They believe his admission that Iraq possesses lethal chemical weapons and his rhetorical outbursts have played into the hands of

Israel, bent on convincing the West of the untrustworthiness of the Arabs. "Saddam's and consequently Iraq's credibility and status are very relevant to its emergence as a deterrent force," said one government official. "But Saddam will lose his credibility and seriousness if Israel decides to use the current western campaign to strike against Iraq."

The Jordanian Government is said to have been particularly alarmed by the enthusiasm in the Arab world that greeted Saddam's warning to Israel. For many the impact was a reminder of the euphoria which Gamal Abdul Nasser, the late Egyptian President, created immediately before the Arab desert in the 1957 war against Israel and Egypt.

"The same experience could be repeated if the Arab world is not ready," a Jordanian politician warned. "Both our alliance with Iraq and our support for the Palestinians are essential prerequisites for the long-term stability and security of Jordan. Our dilemma is how to keep them without being trapped in a premature confrontation with Israel."

Jordan and Egypt (which are members of the Arab Co-operation Council together with Iraq and North Yemen) are believed to have pressured President Saddam to tone down his statements and rebuff Iraq's support for peace in an effort to avert any Israeli action against Iraq or Jordan.



Police on duty in front of the giant statue of Mao in Kashgar

Chinese troops may have killed 50 in Moslem riots

TWO negotiators sent to calm Islamic unrest in China's remote north-west were killed and in subsequent riots security forces killed about 50 people, Western travellers said, yesterday quoting local people, Reuters reports from Peking.

Officials in the Xinjiang region reached by telephone from Peking declined comment on Western media reports that troops had crushed a riot near the ancient Silk Road city of Kashgar last week.

In the most detailed version so far of the events, two Swedish tourists, Mr Jan Arell and Ms Karin Teghammar said in Peking that, according to unconfirmed accounts, trouble flared in a town some 50 km from Kashgar.

The trouble began after the local ethnic Kirghiz community had been prevented from building new mosques. Two Chinese negotiators sent to the town, near Kashgar's airport, were killed after talks hit a deadlock.

Riots then erupted and troops suppressed them, killing about 50 people, the Swedish couple said, quoting local sources who could not be identified.

The couple said that at the time of the reported unrest they were in the regional capital of Urumqi some 600 miles away and could not confirm the accounts independently. They did not know the name of the town.

A Western diplomat in Peking said he had heard similar reports from different sources. A Communist Party official in Kashgar told a West German reporter that the unrest had been "suppressed" by Friday. He gave no details.

The Swedish tourists quoted airport and bus station officials in Urumqi as saying on Sunday that foreigners were forbidden to go to Kashgar. "There were police standing behind the women selling bus tickets," said Arell.

About half of Xinjiang's 15m people are non-Chinese minorities sharing the Moslem faith with inhabitants of the Soviet Union's restive Asian republics, Tadzhikistan and Kirghizia, across a long and sensitive border.

The FRC sought to gain maximum publicity from the liberation of the three Europeans yesterday. Since Col Gadafi made his appeal on April 4, the FRC's spokesman in Beirut, Mr Walid Khaddar, has issued communiqués and held press conferences almost daily.

In an interview on April 5, Mr Khaddar linked the FRC's hostages to 17 other Western hostages held in Lebanon. He said the release of the hostages was a "prelude" to the freedom of "all" Western hostages and confirmed that his group had made contact with pro-Iranian kidnappers.

Burmese make forced labour part of national policy

By Roger Matthews

BURMA'S military regime appears to have abandoned any pretence at securing even marginal public sympathy in the run-up to elections planned for May 27.

Although it has been clear for some time that the regime, which in 1988 killed and wounded thousands of pro-democracy demonstrators, would not permit a fair test of public opinion, it had been assumed it would not seek to alienate the population even further.

However, hard on the heels of its forcible relocation of tens of thousands of people living in Rangoon and other large cities, the army has now found a new method of forcing civilians into becoming unpaid porters for the soldiers fighting ethnic rebels along Burma's borders.

Finding it increasingly difficult to snatch wary young men from the streets, eye-witnesses say troops have recently taken to seizing women and small children. In several well-authenticated swoops in the past three weeks, dozens of women and children have been detained.

When husbands and fathers arrived to seek their release they were given the option of paying a large ransom, or "volunteering" as a porter in return for the release of the wives and children. Deaths among those pressed-ganged as porters has been high as they are often unfit for the task and forced to carry heavy burdens through jungle and into combat zones.

Meanwhile the regime is hastily adding to the restrictions already imposed on the conduct of the general election. Having detained and jailed thousands of opposition activists, refused to sanction public rallies, and restricted each party to one 10-minute pre-censored statement on radio and television, the regime is now planning to announce only the winners of each constituency. It has already refused to issue a complete list of candidates and parties.

The result of this will presumably ensure that the regime-backed National Unity Party emerges as the victor. Even if, as some apologists for the Burmese regime claim, voting on polling day takes place without official hindrance, there will be no way of knowing the real outcome.

The regime has refused to contemplate the presence of international observers and seems likely to maintain its ban on foreign journalists.

Nepalese opposition rejects offer

NEPAL'S main opposition parties, banned for three decades until bloody protests last week, yesterday refused an offer to participate in government, Reuters reports from Kathmandu.

Sahana Pradhan, leader of a seven-faction United Left, said the Government bore full responsibility for the shooting of protesters in Kathmandu on Friday. He said the entire political system should be dismantled.

Absolute monarch King Birendra lifted a ban on political parties on Sunday after the bloodiest scenes in modern Nepalese history. Eyewitnesses said 50 people were killed on Friday when troops fired at protesters marching to the royal palace.

Pramod Rana, a member of the present Cabinet, rejected the opposition's demand for dismissal of the government. "Creating a consensus is always a difficult task, but there are instances of consensus being created out of very divergent parties," Rana said.

The Congress and the United Left, allied in the Movement for the Restoration of Democracy (MRD), are pushing for a new constitution limiting the role of the monarch.

The king, now functioning above the constitution, is revered by many in Nepal as a descendant of the Hindu god Vishnu.

Girija Prasad Koirala, general secretary of the Nepali Congress, said the demand for the king's role to be reduced to a constitutional monarch was shared by the entire opposition.

"No one wants to relinquish power but we have to see the sentiments of the people," Mr Koirala said in a reference to eight weeks of pro-democracy campaigning by the MRD. He said there could be no violence if opposition demands were not met soon.

Both the Nepali Congress and the communist factions of the United Left want the government replaced by an interim government formed with or without the participation of supporters of the present system.

Paris thanks Gadafi for release of three hostages

By Lara Marlowe in West Beirut and William Dawkins in Paris

THREE European hostages released by Palestinian extremists in Lebanon were due to arrive in Paris last night as the French Government thanked Libya for its part in ending their two-and-a-half year ordeal.

Ms Jacqueline Valente, a 32-year-old French woman, Mr Fernand Houtekins, her 42-year-old Belgian companion, and the couple's daughter Sophie, were freed by Abu Nidal's Fatah revolutionary Council (FRC) in West Beirut yesterday morning.

Ms Valente and Mr Houtekins had been captured in November 1987 on a yacht in the eastern Mediterranean, and Sophie was born in captivity a month later.

The French Foreign Ministry yesterday issued a statement expressing satisfaction and recognition for this "noble and humanitarian gesture". This would be given proper consideration in future relations between France and Libya, said the ministry.

Mr François Mitterrand, added his personal thanks to Col Muammar Gadafi, the Libyan leader, for the

"determinant role" which he had played in "this happy ending", a statement from his office said.

Col Gadafi yesterday called for western countries to respond by freeing Arab political prisoners. He appealed on April 4 for the release of Ms Valente and her family. (Ms Valente gave birth to two daughters in captivity, but the second baby died at birth.)

Last month Paris returned to Libya three Mirage jet fighter aircraft sent to France for repair. The return of the fighters had been blocked since 1986. The delivery, authorised by France last November, has been criticised by the US.

Formerly strained relations between France and Libya have picked up recently, despite renewed allegations from other Western countries that Libya is illicitly making toxic gas weapons.

Diplomatic relations have warmed since last August's agreement between Libya and Chad to pave the way for a settlement of their frontier

dispute, in which France had been supporting the Chadian Government.

French officials deny that the return of the fighters was directly aimed at obtaining the hostages' return, or that the delivery contravened a 1986 European Community ban on arms exports to countries implicated in supporting terrorism. The fighters do not increase Libya's military potential, they argue.

It is still unclear whether four remaining Belgian hostages captured along with Ms Valente and Mr Houtekins are being held in Lebanon or Libya. Ms Valente told journalists in Beirut yesterday that she was "tired after the journey," fueling speculation that the hostages may have been transported from Libya before their release.

The four Belgian hostages still held by the FRC are Fernand Houtekins's brother, Emmanuel, aged 44, his wife Godelieve, 50, and their two children, Laurent and Valerie, who are 19 and 18 years old.

Mr Hollands van Loocke, the direc-

tor of political affairs at the Belgian Foreign Ministry, is still in Beirut attempting to secure their release, but the FRC appears determined to obtain the freedom of Mr Nasser Said, one of its members imprisoned in Belgium, before releasing the other hostages.

Mr Nasser was found guilty in 1980 of carrying out a grenade attack which killed a 15-year-old Jewish boy and wounded 20 worshippers at an Antwerp synagogue.

The FRC sought to gain maximum publicity from the liberation of the three Europeans yesterday. Since Col Gadafi made his appeal on April 4, the FRC's spokesman in Beirut, Mr Walid Khaddar, has issued communiqués and held press conferences almost daily.

In an interview on April 5, Mr Khaddar linked the FRC's hostages to 17 other Western hostages held in Lebanon. He said the release of the hostages was a "prelude" to the freedom of "all" Western hostages and confirmed that his group had made contact with pro-Iranian kidnappers.



Houtekins and Valente in Beirut yesterday



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WORLD TRADE NEWS

Bill to hit back at EC single market brought into House

By Nancy Dunne in Washington

THE FIRST SUBSTANTIVE legislation which would mandate retaliation against the European Community in connection with its 1992 single market programme has been introduced into the US House of Representatives.

Backed by Congressman Mr Sam Gejdensen, the House Trade Subcommittee Chairman, and a Republican subcommittee member, Congressman Mr John Miller of Washington, the legislation would deny EC companies the right to use European laboratory testing to certify compliance with US health and safety standards.

This could make it more difficult for European companies to do business in the US. The Bush Administration has repeatedly protested at the exclusion of US officials and exporters from meetings of the EC product standards-setting body, CEN/Cenelec.

Furthermore, US officials are uneasy about the Community's failure to formally endorse the current bilateral testing and certification system, which allows American companies to test many of their products in US laboratories. European companies are also permitted to do much of their own testing and receive certification in European laboratories.

However, complaints by the Administration have produced only minor gains. "There comes a time when begging must stop and action

must start," said Mr Gejdensen, whose committee has been closely scrutinising the 1992 process.

The legislation would deny EC companies the rights to "self-certify" compliance with standards set by five government agencies: the Federal Communications Commission, the Environmental Protection Agency, the Food and Drug Administration, the Energy Department, and the Labour Department.

The requirements would remain in effect until the US Commerce Secretary certifies that the EC has resolved US concerns about European standards-setting policy.

US officials and industry representatives say the EC plan to harmonise all European product standards - and the procedures to test compliance with those standards - could benefit American business if they are non-discriminatory.

However, they worry that EC representatives to CEN/Cenelec are usually from the industry involved and say standards have already been written which would benefit European producers of anaesthesiology equipment, toys and forklifts over US producers.

The US relies on its private sector to set most of its product standards. EC companies are allowed to observe standards-setting meetings and sometimes even to vote in the US, according to Mr Gejdensen.

Sony offshoot to build video components plant in France

SONY Corporation's French subsidiary will construct an audio and video components manufacturing plant in France, the group said yesterday. Kyodo news agency reports from Tokyo.

A Sony official said that Sony France will invest about FF300m (£30m) to build the plant in Bayonne City, on the south-west coast of France.

The plant is expected to begin manufacturing optical pick-up devices for use with

compact disc players, and single- and double-sided printed circuit boards for audio-video equipment in summer 1991, the official said.

The products will be supplied to Sony's other plants in Europe, he added.

The 14,200 square-metre plant will be located on an 88,000 square-metre site.

It will be Sony's fourth manufacturing venture in France, the company stated.

Bechtel wins HK airport adviser contract

BECHTEL OF THE US yesterday won a HK\$90m (£28.5m), 30-month contract to act as the Hong Kong Government's programme implementation adviser on projects costing over HK\$50m for a new airport with road-rail links. John Elliott reports from Hong Kong.

This is the first of a series of consulting contracts to be awarded for the Colony's HK\$12.7bn long-term programme of airport and seaport works. It will be extended after its termination date of December 1991 if work goes smoothly.

Working with Halcrow Partnership of the UK, Bechtel will help the government co-ordinate the programming, budgeting and overall control of the airport and link projects.

Bechtel is to be ready by 1997. Bechtel and Halcrow are among seven contenders for a HK\$300m master-plan consultancy for all the HK\$12.7bn projects, likely to be awarded soon. Other contenders include Austin Company of the US, working with Freeman Fox of the UK; Pei Cobb Freed of the US; McDonnell-Douglas, and Kawasaki Heavy Industries.

Mongolia seeks Gatt membership

MONGOLIA wants to join the General Agreement on Tariffs and Trade as part of a broad restructuring of its economy, Mr Dashiya Byambasuren, First Deputy Prime Minister, said, Robert Thomson reports from Ulan Bator.

Mongolia would "not hesitate to join Gatt," he stressed, but "some factors are outside our control, such as Gatt's willingness to accept us. I think we are starting on an economic reform programme that will eventually lead us to Gatt."

The ruling party was considering joining the Asian Development Bank, as part of a "more international economic policy". It wants to trade with western countries, and replace a centrally-planned system with a "state-controlled market economy".

About 90 per cent of Mongolia's trade is with Moscow.

US tries to jump-start Panama economy

White House is working to mobilise private sector initiative, writes Nancy Dunne

A \$40m (£23.5m) business investment fund, a luxury hotel, and a shrimp farm operation with plans to employ an entire town are among the projects developing under a Bush Administration plan to help "jump-start" the Panamanian economy through private sector stimulus.

The initiative, overseen by the US Overseas Private Investment Corporation (Opic), has, in just a few weeks, generated \$70m in investment pledges, a figure which could climb to \$100m by the end of April.

Although that sum pales alongside the more than \$2bn owed to Panama's creditors, the Administration believes an injection of quick cash in the private sector will provide liquidity and jobs, helping the nation survive until the President's proposed \$500m-\$1bn aid package obtains Congressional approval, which will then filter through to the economy.

Key to the private sector "jump-start" is the Panama Economic Recovery Fund, a creation of two former Reagan Administration officials, Mr H.P. Goldfield, a White House Associate Counsel, and Mr Craig Fuller, President Bush's former chief of staff.

Opic will serve as guarantor of the fund's promissory notes

and overall supervisor of its investments. Strategic Resources Corporation, a Washington-based international trade and consulting firm, will serve as the fund's general partner.

It is searching out a large US bank already operating in Panama to be local financial partner, identifying investment opportunities and managing the fund's day-to-day operations.

A US lending institution will purchase \$20m-worth of guaranteed promissory notes, providing half the fund's capital. The other half will be funded through purchase of limited partnership units at \$1m each by US and Panamanian corporations.

One of the fund's first targets is the Panamanian construction industry, badly damaged by US sanctions. As liquidity dried up, the industry went from doing \$160m-worth of business in 1987, to \$12m in 1989, to a projected \$3m this year, according to Mr Goldfield.

The fund plans to purchase a portfolio of discounted seasoned mortgages held by Panamanian and US financial institutions, to provide local banks with the liquidity to finance new construction projects - particularly those geared to

low- and lower-middle income housing.

It will also lend money through Panamanian banks to middle- and upper-market Panamanian companies which have been profitable in the past but now suffer a lack of short and medium-term credit.

In addition, it will search out

The plan has, in just a few weeks, generated \$70m in investment pledges, which could climb to \$100m by the end of April

investments in Panamanian companies, joint ventures and privatisation projects identified by the Panamanian Government, such as the privatisation of Air Panama and port facilities.

As strong supporters of President Bush, Mr Goldfield and Mr Fuller combine patriotism with profit. Mr Goldfield sees an opportunity for big pay-backs, once Panama gets on its feet, as well as a chance to strengthen its fledgling democratic institutions. If Panama falters on its path to democracy, "history won't look at us

well for having not helped," Mr Goldfield said.

Most of the planned projects have grown out of a recent Opic mission to Panama, headed by its peripatetic president, Mr Fred Zeder, who has also been matching up US investors in deals around eastern Europe.

Opic is the US government agency which underwrites political risk insurance and makes equity investment in developing countries.

One of the dozens of "old friends" of President Bush, Mr Zeder was given a White House send-off to Panama on a trip attended by 27 representatives of American business including AT&T, American Express, Unocal Geothermal, GTE and others.

At their destination, the investors were met by Panama's President Guillermo Endara. Vice-President Guillermo Ford, and dozens of Panamanian government and business officials.

"It really opened really our eyes to great opportunities," said Mr Eric Levy, director of grower relations at Great American Farms.

"Farmers" has targeted a group of farmers for special assistance to produce exportable melons. It will teach the Panamanians to expand pro-

duction, and package and market their produce in the winter months in the US and the UK.

Mr Joe Thaggard, president of Altrix International, a Coral Gables Florida aquaculture company, has tried for years to expand its 40-man operation in Perito, on the Pacific near Costa Rica, where conditions are ideal for harvesting shrimp.

For four years, he knocked on doors to get the necessary permission and got nowhere. The World Bank, which had offered assistance, pulled out of the deal.

On the Opic trip, Mr Thaggard said he found "an attentive and intelligent group running the government".

Land concessions were quickly agreed, with a 20-year lease provided. The company is now set to expand to 140 employees and to build housing for its workers.

During the mission, the TransAmerica Hotel Group announced plans to build a 450-room Raddison resort about 75 miles west of Panama City on Coronado beach. Construction is scheduled to begin in mid-summer this year, employing 250 Panamanians.

The hotel is scheduled to open in December, 1991, providing jobs for about 400 full-time workers.

Third World urged to speed Uruguay Round

By William Dullforce in Geneva

THE EUROPEAN Community and the US yesterday called on the developing countries to accept modifications to the special treatment they receive under the General Agreement on Tariffs and Trade, to allow for success in the Uruguay Round trade-liberalising talks.

The world's two biggest trading powers reiterated their firmness on this point after the developing countries had complained to the Trade Negotiations Committee (TNC), the governing body for the trade talks, that nothing fundamental had so far been done in the Round to meet their interests.

Both Mr Tran Van Thinh, head of the EC delegation, and Mr Warren Lavorel, the US Co-ordinator for the trade talks, voiced "cautious optimism" about the outcome of the Round, but stressed the

next three months would be critical.

The Round is due to end at a trade ministers' meeting in Brussels in December, but Gatt aims to have an outline package of results for the 15 subjects under negotiation ready by the end of July.

In a joint statement to the TNC, the developing countries said they were being asked to ignore the principle enunciated at the start of the Round in 1986 that they should not be required to make concessions inconsistent with their development, financial and trade needs.

No agreement had been reached on ways of reversing protectionist policies harmful to their exports in the groups negotiating on market access.

In contrast in the "new" areas in which the developed

countries were interested, an outline agreement had been defined for trade in services and attempts were being made to impose disciplines on countries' policies on intellectual property protection and foreign investment that went beyond trade effects.

The consequences would be extremely serious for the Round, if this state of affairs was not immediately rectified, the developing countries said.

Mr Tran Van Thinh said the EC's priority in its relations with the developing countries was to ensure they took on greater obligations under Gatt as they advanced in their development. The article under which they can claim exemptions from Gatt rules for balance of payments reasons was too big a loophole.

The EC also wanted firmer

commitments from developing countries to reduce and bind tariffs. On the other hand, the EC was ready to negotiate the liberalisation of trade in textiles and clothing, called for by developing countries, and accepted an agreement covering trade in services had to contain a dynamic development aspect.

Mr Lavorel said the US was serious about having a satisfactory agreement on Third World balance-of-payment exemptions.

The US accepted it would have to give up some sovereignty over its trade policies in favour of multilateral trading rules, and was willing to seek a genuine balance in the results of the Round. But it was not willing to waste time on arguments designed to block the talks or eliminate specific issues.

Moscow urges CoCom reform

MOSCOW yesterday urged the West to make new rules covering exports to eastern Europe of sensitive technology with possible military application, Reuters reports from Bonn.

Mr Stepan Sitaryan, chairman of the Soviet State Foreign Economic Commission, told the 35-nation Conference on Economic Co-operation in Europe that CoCom rules barring export of computers and other electronics equipment to the east should be reviewed.

CoCom, the Paris-based Co-ordinating Committee for Multilateral Export Controls, consists of 19 countries dominated by Nato. "CoCom should no longer be a sacred cow," Mr Sitaryan said. "We propose talks begin on rules to govern transfer of dual-purpose technology, with, if necessary, inspection procedures for monitoring its application."



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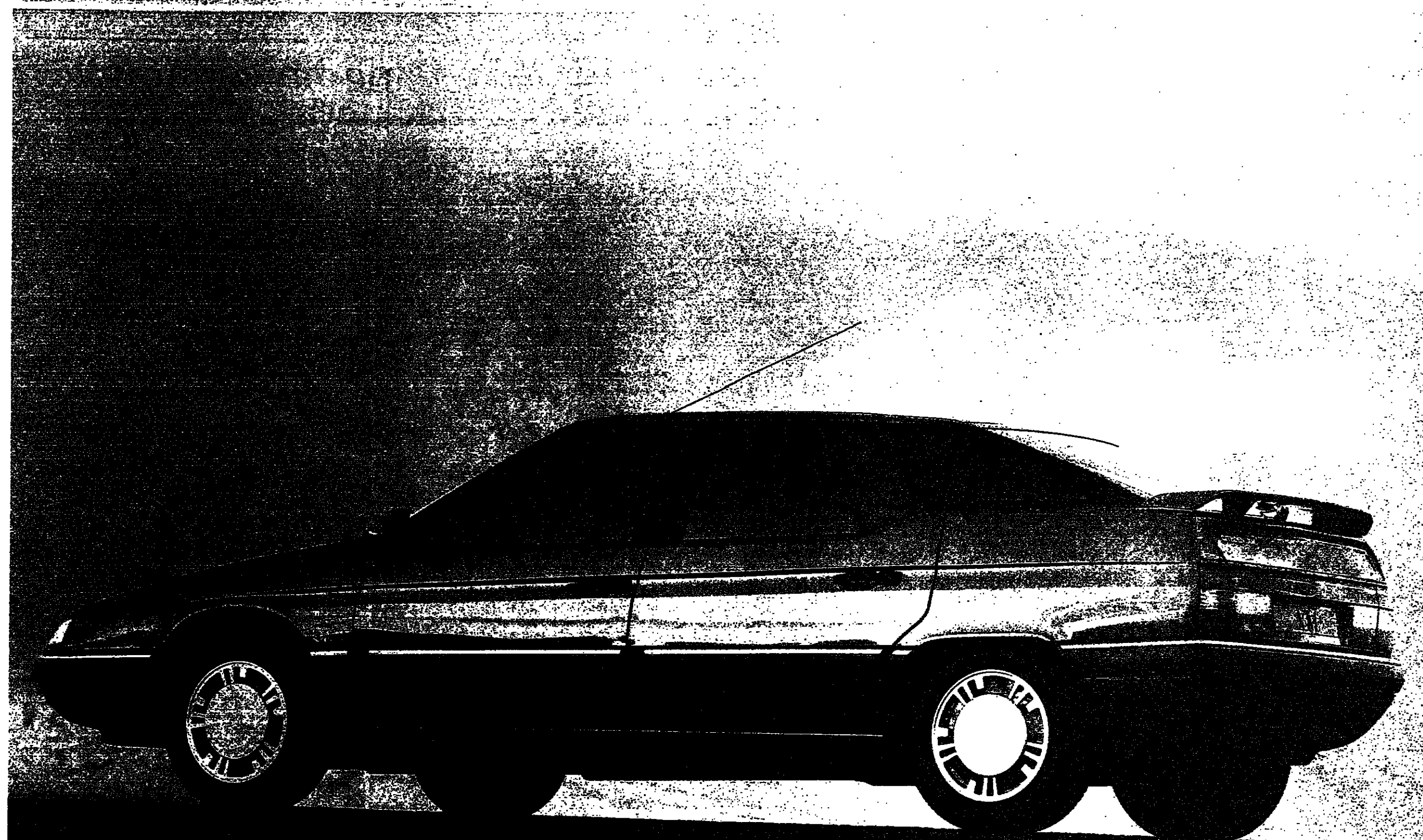
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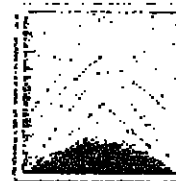
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UK NEWS

Insolvencies rise as high interest rates take effect

By Richard Waters

INSOLVENCIES in the UK rose sharply in the first three months of this year, due to the effects of high interest rates. The number of companies going into receivership jumped by around 55 per cent over the previous three months, according to figures published separately yesterday by EPMG Peat Marwick McLintock and Grant Thornton, the accountancy firms.

Compared with a year ago, the rate of corporate insolvency has increased two or three times, depending on which firm's figures are used. Worst affected have been property and construction companies and the retail industry, as high interest rates have hit the property market and eaten into consumer spending. Both accountancy firms also report a worsening position among manufacturing companies, which have begun to feel the pinch from lower orders following the fall in retail sales. Textile companies in particular have suffered from the squeeze.

Companies in the south of the country, where mortgages are highest and domestic property prices have fallen furthest, have been damaged most by the increase in interest rates. Both firms also predict high numbers of insolvencies during the rest of this year if, as the government has indicated, interest rates remain high.

Mr Tim Harward, Peat's senior insolvency partner, said that the introduction of the uniform business rate would also push some companies over the edge, particularly in the south east.

Peat's figures, which lump

RECEIVERSHIPS Jan-March 1990	
Industry	Proportion of receiverships (%)
Manufacturing	25
Property/construction	22
Retailing	13

Source: EPMG Peat Marwick McLintock

together groups of companies rather than counting each individually, record 543 receiverships in the first three months, compared with 348 in the last quarter of 1989 and 260 a year ago.

Grant Thornton, which counts each company separately, reports 981 receiverships so far this year, up from 626 in the previous quarter and just 347 a year ago.

Small and medium-sized businesses have been worst affected by the current tough economic climate, with few prominent companies going into insolvency. Smaller companies "have insufficient financial resources and less depth of management skills" to withstand a downturn, said Mr Harward.

The number of receiverships so far this year has been running at about the same level as during the early 1980s recession.

There are, however, many more companies in existence than a decade ago and since a large proportion of new businesses fold during the early years, this alone would have led to an increase in insolvencies even without higher interest rates.

House price inflation hit by cost of loans

HOUSE price inflation dropped to zero last month as high interest rates continued to depress the housing market across the country.

House prices nationally rose an average 0.5 per cent last month, but the underlying trend is flat, according to the House Price Index published yesterday by Halifax, Britain's largest home loans and savings institution.

The depression in the market contrasts with house price increases of more than 34 per cent at the end of 1988, the boom year for the market.

Falling prices will continue to depress the market until next year, the survey, published yesterday, predicts.

Regions worst hit are the south - where houses are selling at 10 per cent to 20 per cent below 1989 figures - and Wales, where the underlying trend of annual price inflation has dropped from more than 32 per cent to 8 per cent over the same period, with the quarterly figure up by only 1.6 per cent.

Prices are slowing rapidly throughout the north, where homeowners enjoyed a 25 per cent increase in property values in the past year.

So far this year, prices have fallen by 1.7 per cent and 0.9 per cent in the East and West Midlands, with the annual rate for house price inflation turning negative at -1.23 per cent in the East -2 per cent in the West Midlands. In the north west, prices are still rising but at a slower pace, with the rise in the first quarter down to 1.9 per cent and the annual rate at 23.4 per cent.

House prices in Scotland fell 0.3 per cent in the first quarter compared with an annual rise of just below 17 per cent.

Iveco Ford regains leadership of truck market from Leyland DAF, Hino sales fall

By Kevin Done, Motor Industry Correspondent

COMMERCIAL vehicle sales in the UK fell by 11.45 per cent in March to 32,043 continuing the sharp decline in demand which began in the final quarter of last year.

Commercial vehicle registrations have been lower than a year earlier in each of the last six months, and in the first quarter this year sales dropped to 89,334, a fall of 11.54 per cent compared with the corresponding period last year according to figures from the Society of Motor Manufacturers and Traders.

The drop in commercial vehicle sales in the face of high interest rates and the UK economic slow-down has hit

truck makers most severely.

UK truck output has been cut drastically and most truck makers have been forced to impose three or four-day working weeks.

Iveco Ford, the UK joint venture between Iveco of Italy and Ford of the US in which Iveco, a subsidiary of Fiat, has management control, regained its leadership of the UK truck market in March from Leyland DAF, the UK subsidiary of DAF of the Netherlands.

Iveco Ford sales in March alone were only 7 per cent lower than a year ago compared with the 21.5 per cent drop in the overall UK truck market (above 3.5

tonnes) and a 19.6 per cent fall in Leyland DAF registrations.

In the first quarter Iveco Ford increased its market share to 26.8 per cent from 24.2 per cent a year ago, while Leyland DAF increased its share to 22 per cent from 19.7 per cent. Volvo and Scania of Sweden have lost most ground in the first quarter.

AWD, the small privately-owned UK truck maker, which took over General Motors' chronically loss-making Bedford truck operations at the end of 1987 and re-entered the UK civilian truck market in late 1988 captured 2.3 per cent of UK truck sales in the first quarter compared with 1.4 per cent a year ago.

Registrations of Japanese Hino trucks, assembled in Ireland, fell to only 85 in the first quarter.

In the van market one of the sharpest falls has been suffered by Nissan of Japan, whose medium van registrations were 37 per cent lower in the first quarter reducing its share of the segment to 4 per cent from 5.5 per cent a year ago. Ford the dominant UK van market leader, has lost ground as a result of the prolonged loss of production at its Halewood and Southampton assembly plants in the first quarter.

Blueprint for London region set for 1992

By John Hunt, Environment Correspondent

GREATER investment in public transport, job training and low-cost housing is advocated for south-east England in planning proposals to take the region into the early years of the next century.

The strategy was published yesterday by Serplan, the planning organisation representing 143 county, district and borough councils in the south-east including London.

After consultation the document will go to Mr Chris Patten, the Environment Secretary, who will take it into account when drawing up the Government's proposals to be announced next year.

Serplan emphasises the need to prevent congestion in the region and to preserve the environment while maintaining economic prosperity so that the south-east can compete in the single European Community market after 1991.

It envisages the City of London continuing to play a leading role as an international centre of commerce. But it

urges that commercial and industrial activity should move from the overcrowded west of the region to eastern areas.

"The emphasis should be on wealth creation rather than more jobs as such. Strategies should focus on making better use of the region's resources in land, labour and capital," says the report.

"The aim should be to enable the growth of capacity to be increased in those parts of the region which have experienced decline and whose recovery is slow."

"Implementation of this strategy will also relieve pressures in areas of economic growth which now exhibit symptoms of overheating and congestion."

Authorities are urged to support recycling and encourage industries which are energy efficient and use "clean" non-polluting technologies. (Shaping the South East Planning Strategy, ES, Serplan, 50/64 Broadway, London SW1E 0DB).

Chemical formula for an investment boom

Peter Marsh assesses the prospects for one of British industry's few areas of export growth

BRITAIN'S chemicals sector is swarming with contractors as the industry's investment boom of the past few years shows no sign of letting up. Many other areas of industry fear a slowdown in capital spending, yet investment in the chemicals sector is likely to be about 24.4bn this year - a 9 per cent increase in real terms on 1989.

The forecast, from the UK Chemical Industries Association, is a rare piece of good news for manufacturing generally.

The chemicals sector is one of the UK's strongest production businesses, with an output of 255m a year and a good exports record. It had a balance-of-payments surplus last year of £1.7bn.

The predicted investment increase comes after several years of large rises in capital spending by the sector, but assessing it is made difficult because demand for chemicals has slowed. That has been apparent in the past few months not just in Britain but in much of the rest of Europe and the US - all of which are large markets for the export-oriented UK industry.

The deterioration in conditions for chemicals trading prompts two questions. Is the business taking a long-term view and proceeding with investment geared to the better economic climate expected later in the decade? Or is it behaving like a runaway train?

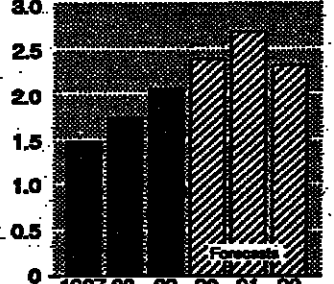
Many chemicals industry leaders in Britain are guardedly optimistic. The sector's export record means that much of its investment in Britain is geared to regions around the world where demand patterns may be stronger or less cyclical.

"Everything we do is based on the international business," says Mr Richard Lines, chairman of MTM, a medium-sized chemicals maker with likely revenues this year of £100m, of which 60 per cent will be overseas sales.

After emerging from a dismal period of low demand and rock-bottom prices in the early 1980s, the UK industry has expanded steadily over the

UK chemicals industry

Capital spending at current prices (£bn)



Source: Chemical Industries Assoc.

past four years. In recent months, chemicals makers have become anxious because of worldwide weaknesses in manufacturing sectors that are big buyers of plastics and other chemicals products. The sectors include cars, construction and packaging.

Signs of trouble have coincided with overcapacity in Europe and the US in bulk chemicals - the low-value, high-volume end of the industry - caused by the large sums spent on plant development, openings and expansions. That has caused a cut in prices and a slide in profitability of many of the world's big chemicals companies.

The industry has hardly been cheered by some gloomy forecasts which indicate that the weak market for chemicals is likely to persist until 1993. Many companies reckon they can steer clear of any troughs by moving their product strategies away from bulk chemical products, mostly derived from petroleum, natural gas or basic inorganic materials.

Instead, they are directing their product strategies at so-called specialty chemicals, which are sold at prices of up to several hundred thousand pounds a tonne. That contrasts with the £500 to £1,000 price range of many basic chemicals such as ethylene, an oil-derived gas which is a basic building block for many chemicals, and bulk plastics.

The specialty materials, besides being more profitable, are made in low enough volumes to be easily exported, by air freight where appropriate, and so a UK manufacturing base is at no disadvantage when tackling world markets.

MTM illustrates the trends. It was formed 11 years ago by Mr Lines, a former executive at Imperial Chemical Industries, Britain's biggest chemicals company, to concentrate on the specialty end of the sector.

MTM is developing a \$50m factory development near Middlesbrough in north-east England to make small quantities of high-value chemicals for incorporation in products such as pharmaceuticals and crop-protection compounds.

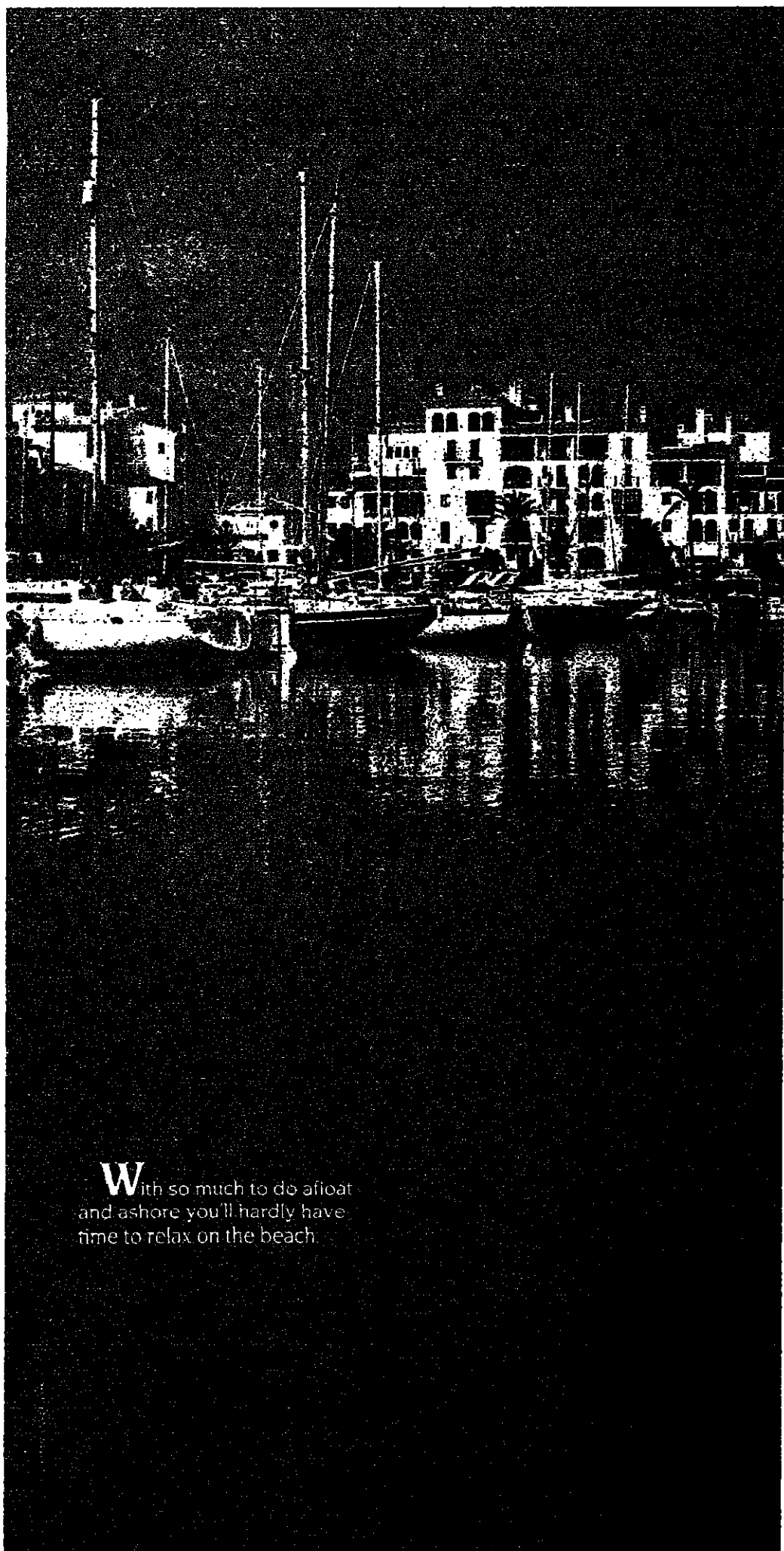
The confidence at MTM is echoed by Mr Peter Fletcher, managing director of York-shire-based Allied Colloids, another specialty-chemicals producer. It makes materials for applications including water treatment, glues and paints. Nearly 90 per cent of its company's annual sales of £250m come from overseas.

His company is spending about \$15m on investment this year, two thirds of it in Britain and the rest in its foreign manufacturing sites in South Carolina in the US.

The investments by MTM and Allied Colloids are dwarfed by that of the big guns in the UK industry. Of the planned £24.4bn capital-spending programme by the business in Britain this year, ICI is responsible for £50m while BP Chemicals and Shell are due to invest £350m and £130m.

Most of the spending by the big companies is aimed at the commodity end of the industry. BP is adding extra ethylene and plastics production capacity to its large plant at Grange-mouth in Scotland, while Shell is developing its production complexes in Stanlow and Carvington, in the north-west, to focus on plastics and similar materials.

For any mutterings of doubts, most chemicals executives in Britain are bullish about the 1990s. They are anxious to emphasise that the business has so far avoided many of the difficulties that have faced UK manufacturing generally.



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UK NEWS



WILLIAM GOODWIN, the magazine journalist who faced a jail sentence for refusing to obey a court order to hand over notes which would identify the source of leaked confidential information about a company's financial position was fined £5,000 by a London court.

BRITAIN IN BRIEF



Engineers win key working hours deal

LUCAS INDUSTRIES said that it had agreed tentative deals on 37-hour weeks at two plant where workers are holding strike ballots over hours reductions.

The concession represents a significant advance for the engineering unions' national campaign. Lucas had previously been one of the strongest opponents among employers to a two-hour reduction in the standard 38-hour week in engineering.

Following agreement of 37-hour deals at British Aerospace, the unions had declared Lucas as their prime target for winning shorter weeks.

Stock Exchange computer plan

London's International Stock Exchange has written to all its member firms outlining its plans for developing the market's range of trading services. Its paper, *The Way Forward for ISE Trading Services*, follows a discussion paper published a year ago which set out a proposed strategy for developing the range of electronic services provided to users of the market. A major part of the strategy, explained in the latest paper, is for a single electronic communications link between the exchange and its members to replace the current web of incompatible systems through which the market and its users communicate.

Education reforms urged for teenagers

AN OVERHAUL of the education received by 16 to 19-year-olds has been proposed by the National Curriculum Council which will require all students to acquire "core" skills in six subjects.

The proposals are aimed at breaking down the gulf between academic and vocational education, and include measures to make it easier for students to transfer between traditional A-level courses and a course of vocational study.

Development of the curriculum was prompted by mounting criticism from business and industry that the British education system was failing to produce graduates with the requisite skills for current needs.

Next pushed £46m into the red

JOB CUTS, high street store closures and stock write-offs cost Next more than £76m last year, pushing the UK fashion retailer and mail order group

Junk bond market claims latest victim

Sanderson sold by US group to Dutch company

By Alice Rawsthorn

SANDERSON, one of the grand old names of British interior design, has become the latest victim of the fluctuating US junk bond market and has been bought by a Dutch company.

It has been bought by Gamma Holdings, the biggest Dutch textile group, for £45m and a £14m loan note.

The Sanderson name is synonymous with the floral furnishing fabrics - designed by William Morris, the 19th century artisan - that hang in many a middle class home. But behind the very British facade of its William Morris curtains and cushions Sanderson has, for years, been the subsidiary of a US company.

Early last year West Point-Perpetual, the US textile group that owned Sanderson, became the butt of a hostile bid from Mr William Farley, the Chicago financier linked to Mr Michael Milken, the "junk bond king" of Drexel Burnham Lambert, the US investment bank.

Mr Farley is a postman's son from Pawtucket, Rhode Island who began his career as an encyclopedia salesman and is now one of the most powerful figures in US textiles. He abandoned his original plan to pursue a career in politics after a flurry of publicity about his

private life.

In the mid-1980s, armed with Drexel's junk bonds, he bid for Northwest Industries.

He sold off most of Northwest but retained Fruit of the Loom, which has the dubious distinction of being the biggest underwear manufacturer in the US.

Mr Farley soon became infamous in business circles by appearing in Fruit of the Loom's advertisements clad only in its underwear.

Early last year Mr Farley, armed with yet more Drexel junk, mounted a \$30m bid for West Point-Perpetual. He won the bid but has since been struggling to pay the interest on his debts. West Point was already highly leveraged having made its own bid for J.P. Stevens, another giant in US textiles, only months before Mr Farley pounced.

His plans to refinance the West Point deal were hindered first by the demise of the junk bond market and finally by Drexel's collapse. Mr Farley now has no option but to raise cash by selling off West Point's subsidiaries. Sanderson is one of the first to be sold. West Point will receive some cash to reduce its debts and Gamma is now the owner of one of the oldest names in British interiors.

Employers criticise 'inefficient' Government enterprise projects

By Charles Leadbeater, Industrial Editor

THE Government's £180m programme to support corporate research and development is so inefficiently run that the grants paid out often barely cover the costs companies incur applying for funds, according to a highly critical report published yesterday by the Confederation of British Industry, the UK employers' organisation.

The problems have worsened significantly in the two years since the Department of Trade and Industry launched the Enterprise Initiative with the aim of streamlining support for business, says the report.

The report, based on a survey of companies which account for a high proportion of non-military research and

development in the UK, comes as Mr Nicholas Ridley, the Trade and Industry Secretary, is completing a wide ranging review of the initiatives launched by his predecessor Lord Young of Grafton.

The report says the survey uncovered a consistent picture of an enormous amount of management effort being wasted in complex and protracted grant negotiations with DTI officials.

It said the difficulties had led to "The strong opinion among some industrialists that the programmes are more concerned with the public relations effect than supporting UK industry." The report added: "The DTI is failing to provide the swift response

needed by companies operating in rapidly changing markets," and delays are directly hindering companies.

Most industrialists felt that a significant proportion of the work being funded was not properly exploited and that not enough had been done to disseminate the research results to smaller companies.

The report says some programmes' aims are poorly defined, after being drawn up by committees which were sometimes amateurish. It calls for wide ranging reforms to the programme, including making seedcorn funding available for companies working in key technological areas to enable them to take part in European research programmes.

New tax cuts in Manx budget

By Ian Hamilton Fazey in Douglas, Isle of Man

THE ISLE of Man government yesterday proposed its fourth successive tax-cutting budget as the island's economy continued to grow at more than 10 per cent a year.

Taxation on the island off Britain's west coast will stay at 15 per cent standard and 20 per cent higher rate, but personal allowances are to rise by 25 per cent to £5,000, fully transferable between husband and wife.

Mr Donald Gelling, the new finance minister who succeeded the sacked Mr David

Cannan during the week before Christmas, said that the budget's main aim was to spread more of the benefits of the growing economy to lower-paid or younger island residents.

The corporate tax rate stays at 20 per cent. The only concession to industry is an increase in capital allowances for developing better tourist accommodation.

A surplus of £7.25m is forecast for the current year after putting £10m towards new capital projects and £8m to

reserves.

The latter will rise to nearly £58m after being at only £1.6m in 1981, when the island's economy was struggling and its population in decline.

As a self-governing Crown dependency, the Isle of Man developed dramatically from the mid-1980's after it reformed and tightened supervision of its financial services industry in the wake of the collapse of the Savings and Investment Bank in 1982 with £42m of depositors' funds. Observer, Page 16



Adams: change of tone

Adams hints at a 'conciliation'

MR Gerry Adams, president of Sinn Féin - the political wing of the IRA, is appearing on British television tonight in an interview in which he hints at a more conciliatory tone towards the Northern Ireland Office and the majority Unionist community but stops far short of explicitly backing a ceasefire in the short term.

The Northern Ireland Office repeated that it will not talk to terrorist organisations.

Mr Adams appears to suggest that if the Government met Sinn Féin to talk seriously about a solution in Northern Ireland, the IRA may call off its terrorist campaign. But the IRA would "maintain its right to engage in armed struggle until its objectives were found". Mr Adams also hints that Sinn Féin might consider backing a federal structure or devolved Government as part of its vision of a united Ireland in order to reassure Protestants in the North.

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FT LAW REPORTS

Solicitor's breach of duty does not cause loss to dispossessed tenant

STRATTON LTD v WESTON
Chancery Division (Car-
dell/Bristol) Judge Hywel
Moseley QC sitting as a deputy
High Court Judge: March 22
1990

A SOLICITOR who knows his client's landlord is in receivership and, in breach of duty, fails to register a concluded agreement for a new lease so that security of tenure is lost on sale of the property, cannot be said to have caused the client's loss on going out of possession if the receiver would have sold free of the agreement had it been registered, in the exercise of their powers under a prior equitable mortgage.

JUDGE HYWEL MOSELEY, sitting as a deputy Chancery Judge, said that 15 Broad Street, Lyme Regis, contained two lock-up shops on the ground floor. One was occupied by Stratton for its hardware business, and the other by Tomlin for its electrical business.

Stratton occupied its shop under a 21-year lease made in 1961, due to expire on March 25 1982. In 1978 Tomlin acquired the freehold reversion and became Stratton's landlord.

By March 1982 when the lease expired Tomlin had only been landlord three and a half years, less than the five years needed to have the right to oppose grant of a new tenancy under section 30(1)(g) of the Landlord and Tenant Act 1954. It was important for Stratton to obtain a new lease for as long a term as possible, since on the next occasion Tomlin would be able to oppose the grant on grounds that it intended to occupy the shop itself.

By notice dated September 16 1981 Tomlin terminated Stratton's tenancy on March 25 1982 but stated it would not oppose grant of a new tenancy. Stratton's solicitor, Mr Weston, notified Tomlin that it would be unwilling to give up possession on March 25. The next step would have been an application to the County Court, not before November 16 1981 and not after January 16 1982 (see section 23(3)), but the parties agreed an extension of time to March 31 1982.

The application was made to the County Court on March 30.

In the meantime negotiations were conducted for an agreement for a new 21-year lease to begin on March 26 1982.

The terms of the agreement were set out in a letter from Stratton's valuer to Tomlin's valuer, dated January 4 1982, and were accepted in a reply dated January 14. Mr Weston had by January 14, processed an agreement which gave Stratton security of tenure for 21 years.

Such an agreement gave the lessee an equitable lease (*Walsh v Lonsdale (1882) 21 QBD 9*).

In the case of unregistered land that equitable lease was void as against a purchaser unless registered under the Land Charges Act 1972 as an estate charge, even if he had notice of the charge.

Mr Weston appeared not to have known or to have forgotten that, until it was pointed out to him in August 1982 when it was too late to register.

On February 11 1982, before the new lease had been drafted and sealed, Mr Weston was told that Tomlin had gone into receivership. He believed that there was a concluded agreement nothing could prevent grant of the new lease.

His last chance to register was on February 18 1982. The following day prospective buyers, Ford & Sons, obtained an official search certificate from the Land Charges Register showing no subsisting entries against Tomlin or the receiver.

The certificate was conclusive in favour of Ford's that there were no land charges registered against Tomlin on February 18. It protected Ford's until March 12 from any subsequent registration of the lease agreement, provided they purchased the freehold reversion before then. They did. The freehold reversion was conveyed to them by Tomlin's receivers on February 23.

That conveyance was a disaster for Stratton. Because the agreement for lease had not been registered as a land charge, it was void against Ford's. But that was not all. Under section 28 of the 1954 Act, any concluded agreement between landlord and tenant for grant of a new lease took the old lease out of the protection of the Act and terminated it on the date agreed for com-

menement of the new lease.

In landlord and tenant proceedings the Court of Appeal decided on November 8 1985 that the agreement between Tomlin and Stratton was a concluded agreement to which section 28 applied, that consequently the 1961 lease expired on March 25 1982, and that Stratton was disqualified from applying to the court for a new lease.

So, because of the concluded agreement, Stratton lost the right to apply for a new lease, and because of non-registration, it was not entitled to enforce the concluded agreement. It lost its security of tenure and went out of possession.

On November 27 1983, nearly 20 years before, Tomlin acquired the freehold reversion, it granted a security to National Provincial Bank, now National Westminster. It granted a fixed charge over freehold property now or at any time during the continuance of this security belonging to the mortgagee.

In 1978, on Tomlin's acquisition of the freehold reversion, the Broad Street premises became subject to an equitable mortgage by virtue of the 1958 deed.

The 1961 lease came first, followed by the equitable mortgage in 1978, followed by the agreement for a lease in 1982.

The receiver was appointed under the 1958 deed. Stratton began proceedings for professional negligence against Mr Weston on December 16 1987. It alleged that he failed to act with the requisite degree of skill in that he failed, once he knew about the receivership, to register the agreement for a lease as a land charge.

The reasonable solicitor would have been alarmed by the news on February 11 that a receiver had been appointed. He would know that one of the functions of a receiver was to sell property and account for proceeds of sale, that agreements for a lease were registrable, and that if the property were sold before the agreement for lease had been registered, Stratton would be in deep trouble. He would also know that the cost of protecting Stratton was minimal - only £11.

A reasonably competent solicitor would have registered the agreement at once. He would have done so well before February 17. By failing to reg-

ister Mr Weston failed to observe the standards of the reasonably competent solicitor and was in breach of duty.

It was argued, however, that registration would have given no protection to Stratton. It was said that the bank as mortgagee had power under section 104 of the Law of Property Act 1925 to sell free from the agreement for lease subsequent in priority to the mortgage, and would have sold the premises, to Ford's free of it. Registration would have served no purpose.

The court reluctantly concluded that the argument was well-founded and was a complete answer to the claim.

Stratton must prove that its losses were caused by Mr Weston's breach of duty, and that it would not have suffered loss if the agreement had been registered.

Once the 1958 mortgage had been proved, and it had been proved that it created an equitable mortgage of the premises and that the bank had power to sell free of the agreement for lease even if registered, the court could infer from the facts that the bank would have sold free from the mortgage and that the loss would have been suffered even if the agreement had been registered.

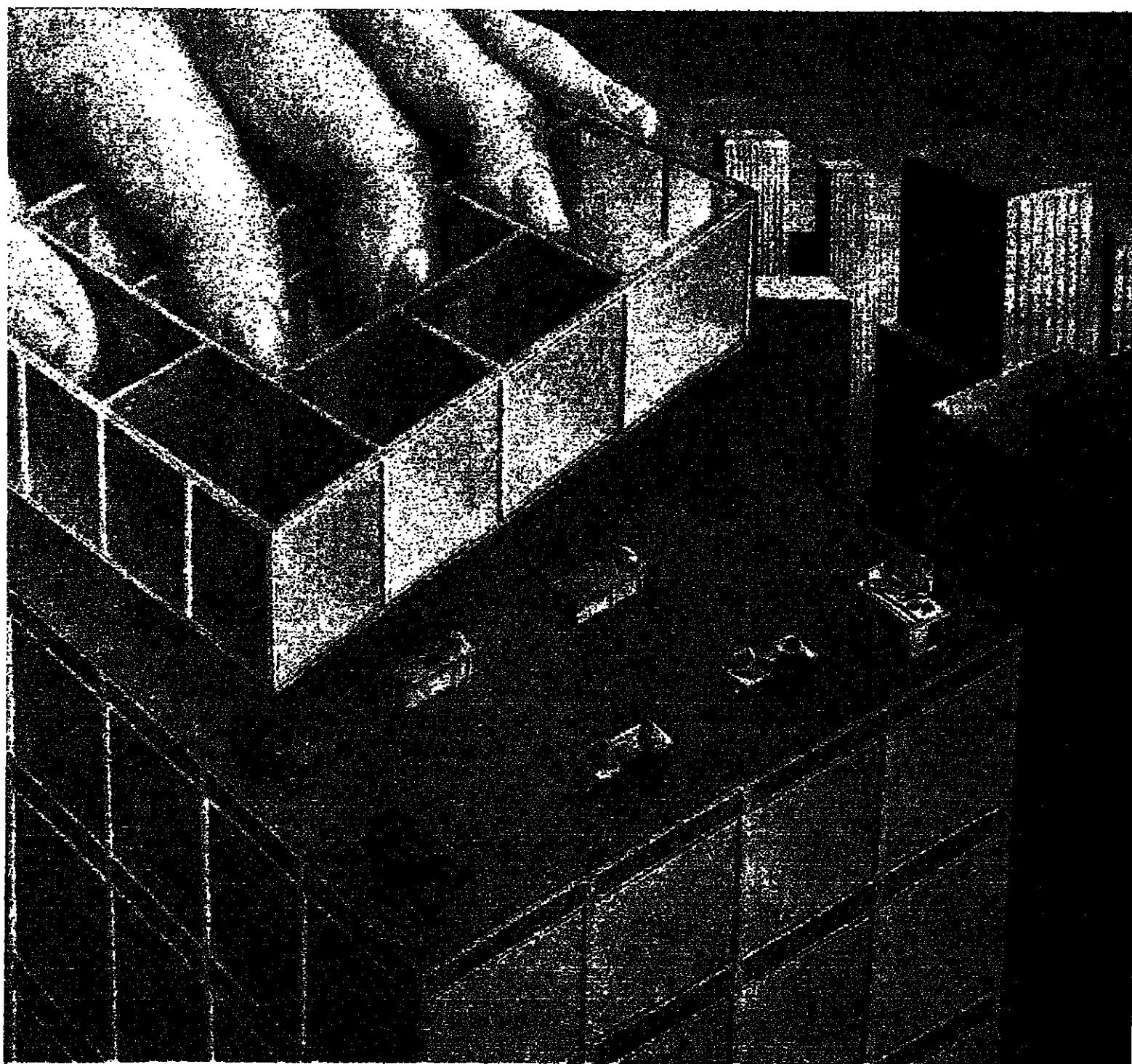
It was not necessary for evidence to be called as to how the bank would probably have reacted. A judge was entitled when considering causation to take into account how the parties would probably have reacted in given circumstances directly on the point.

The bank would probably have agreed to sell as mortgagee and would have sold free of the agreement for lease under section 104. The loss would have occurred even if Mr Weston had not been in breach of his duty of care. Stratton had not proved that the loss would not have occurred but for the breach of duty. Though Mr Weston was in breach of his duty of care, his breach of duty had not caused Stratton's loss.

For Mr Weston: Thomas Putman (Warrington, Bristol).
For Stratton: Alison Powell (Preston, Barllett & Mayo, York).

Rachel Davies
Barrister

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How competitiveness affects people's work

By Michael Dixon

YOU CAN try it yourself if you go to the Exploratory in Bristol. The Exploratory is a place where youngsters of all ages can learn about science by hands-on experimenting with devices that illustrate important principles.

One consists of two beach balls hanging a few inches apart on rods which let them swing sideways but not back and forth. The task is to blow the balls further apart with a variable-speed hair-dryer.

When you try, the result runs counter to common-sense expectations. Instead of moving apart, the balls come together. The harder you blow, the more forcefully they collide.

The principle that they illustrate is Bernoulli's law. As it is spelled out in any good encyclopedia, all I will say about it is that if the balls did move apart rather than together, much in life would be different: aeroplanes wouldn't fly, for instance.

My concern in raising the matter is not what happens in the experiment, but the reaction of the people who try and are plainly surprised by it. The bulk just move on, evidently finding nothing remarkable in experiencing the opposite of what they expected. Only a very few seem to have the cast of mind that sees significance,

not to mention challenge, in having their commonsense and intuition contradicted.

It is nevertheless a cast of mind which, under the name "vision", is reputedly more and more required in top executive positions. So I naturally assume that Jobs-column readers, who are clearly ambitious, possess it in unusually large measure.

Either way, though, a good test of whether I am right will be your reactions to what comes next. For it concerns something that intuition and commonsense take as self-evident: that one of the main spurs to performance is competition. Accordingly there is a wide belief that the best way to get good results is to employ workers with competitive attitudes and tell them they will be measured against the deeds of their counterparts in rival operations.

Certainly I thought as much until soon after mid-day last Friday when Janet Spence, one of America's most eminent psychologists was addressing the British Psychological Society's conference in Swansea. Her subject was workaholicism, which she said fitted Mark Twain's comment on the weather, — although it's talked about a lot, nobody seems to do much about it.

In her role as Professor of Psychology in the University of Texas at Austin, she is one of the rare exceptions. For example, her research has shown that *workaholic* is not a fitting term for everybody to whom work is by far the most important thing in life.

Professor Spence has found that, while all people of that sort have high output, they fall into at least two categories. What marks the difference is whether they work because they feel compelled to by something beyond their control, or because they thoroughly like doing what they do.

Enthusiasts

Compulsive types, who can sensibly be termed workaholics, typically obtain little enjoyment from their job. The other kind of high producers, *work-enthusiasts*, get a lot. They are also less liable to job-stress and burnout.

Even the enthusiasts, however, are more stress-prone and certainly no healthier than both of the two types of people who feel neither involved in their work nor driven to do it. One set are high in enjoyment, perhaps because they are always counting the hours to what Janet Spence, with a

shrug of the shoulders and in a voice reminiscent of Katharine Hepburn, called "Miller time". The nearest English equivalent seems to be the "happy hour", the evening period when some bars cut their prices.

The second set of modest producers are markedly low in enjoyment in addition to everything else besides. The professor's name for them is *Couch Potatoes*.

What brings competition onto the stage is her studies of the factors linked with quality as well as quantity of output. With colleagues at Austin, she has developed a three-scale measure of people's attitudes to work.

The first scale assesses their involvement in terms of conscientiousness and the like. Scale two measures their feeling of mastery over their job. A noteworthy point about mastery is that people high in it, while liking tasks needing skill and persistence, don't like them to be taxing.

Competitiveness is gauged by the third scale. Those scoring high on it typically feel annoyed by being outperformed by someone else, try harder when rivals are breathing down their neck, and generally set great value

on beating people at things. Over the couple of years since proving the measure is sound, the Texas researchers have applied it to three different groups. As is usual with academic psychologists, they began with their own kind: university students and teachers of psychology.

The students' quantity of effort was gauged by the hours of study they put in, and its quality by their grades at the end of their course. Teachers' quantity was gauged by the number of articles they published, and quality by how many times their work was cited in other academics' publications.

Judged by quality and quantity combined, the results for both groups were essentially the same. The better the performance, the higher the involvement and mastery — but the lower the competitiveness. By contrast, poorer performers were higher on the competitive scale than on the other two.

"That maybe suggests where the value of being competitive lies," Janet Spence cawed. "When you're no great shakes at something, it at least gets you out of bed and functioning."

She went on to explain that, knowing the outside world's reluctance to accept that students and academics

do any real work, she had repeated the exercise on salespeople with a big United States pharmaceutical group. In their case, quality was gauged by bonus earnings reflecting, among other things, success in getting repeat business. The pattern was the same yet again.

So what is to be made of the results?

Well, if any readers choose to disregard them in favour of what they see as commonsense, that is their look out. But it would be a waste of time for them to visit the Bristol Exploratory.

Even for the less purblind, the findings beg numerous questions the professor's research so far leaves unanswered. For instance, the competitiveness linked with poorer performance seems to be solely the person-to-person kind. The same may not apply to competitive attitudes directed, not at other individuals, but at rival organisations as a whole.

Nevertheless, to the Jobs column's mind, there is one thing that can safely be said about the belief that people inevitably work better under competition than they would do otherwise. The best word for it is the name of the two principal elements in the Exploratory's illustration of Bernoulli's law.

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MANAGEMENT

UK retailing

Slaughtering sacred cows beefs up BhS

Maggie Urry explains how 'tweaking' has helped improve sales

David Dworkin has instant recall of the date he joined BhS, the UK chain store group - November 13 last year. Only a few months after his arrival, BhS's total sales are running at 20 per cent above those of a year ago, and this at a time when retailers generally are moaning about the poor state of trade. Within the whole, sales of women's wear are running at 35 per cent or more ahead.

It sounds too much like a miracle. But Dworkin, an American, says that "we are not talking about brain surgery." So far he has been making simple changes which provide "quick wins". He describes the first phase of action at BhS as "tweaking", and reckons this can boost the chain's turnover significantly.

Already, he claims, this has had an enormous effect on the morale in the company. "Many of the store managers have never seen a lift in sales. It is a new feeling for them. The pendulum has swung," he exclaims.

Staff at BhS now wonder about the calm and softly spoken Dworkin: "We don't understand how a man who speaks so quietly makes us run so fast."

BhS - once British Home Stores - was merged with Habitat Mothercare in early 1986 to form Storehouse. The plan at the time was to jazz up the dowdy but still significantly profitable chain with a touch of the Sir Terence Conran design flair.

Something went wrong in the process, and when Michael Julien was brought in as Storehouse chief executive in June 1988, BhS's problems had to be re-addressed.

Its profits have fallen from a peak of over £70m at the operating level to £40m in its last financial year to March 1989, with analysts forecasting at least a halving of that for the current year.

Thus Dworkin came to a business which was already in the throes of reorganisation. He admits that he was taking a risk in giving up his career in

America, which includes experience with US retailers such as Nieman Marcus and Bonwit Teller, to come to BhS, but says that he was not "totally crazy"; it still had a legacy of strengths - its well-known name, the good locations of most of the 134 stores, annual turnover at around £600m which is large enough to build on, and which demonstrates "there must be some appeal" in BhS. And its electronic information system is used by some 65 retailers and is considered by Dworkin to be one of the best.

Further, on taking his first look at retailing in the UK and comparing it with his US experience, Dworkin was amazed at how many customers there were in the shops. In the US, he says, the first struggle is getting people into shops. In the UK, with fewer shops and greater population density, there is a higher level of customer traffic already.

Dworkin had done his homework before coming to BhS; it was no surprise to him that it was run in a very antiquated way for a retailer, he says. Some things he found astounding - but readily reversible.

He initiated the setting up of a workshop which came up with a mission statement. This starts: "The BhS mission is to be the first choice store for dressing the modern woman and family."

That has been followed up with an activity value analysis project (AVA) which will look at every aspect of the business to see what it contributes. Already Dworkin has plans to get rid of the 16 warehouses which are currently holding merchandise, so speeding up the supply chain, and saving costs.

At the start of the AVA exercise two slides were presented. The first said "there are no sacred cows." The second, "there is no bullshit."

The project will be complete in mid-May and is expected to bring cost savings rapidly.

The first phase is to get the business up to an acceptable profit level - though Dworkin admits he has no idea what the

true base line for the business will turn out to be.

Dworkin reckons he can "get the business into good shape quickly and cheaply". There will be a need for some capital spending on new fixtures in the stores, but nothing more serious since much had already been spent.

The shops have been tidied up and some of the clutter caused by too many signs removed. The policy of putting other retail brands - Storehouse's own or outsiders - into the stores has started to be reversed. Dworkin insists on "harmony" which includes "continuity under one roof." The concessions, he says, "do not have a place in the stores."

His first concern was the amount of merchandise that was sitting in stock rooms and warehouses instead of being put in front of customers. This has two elements - merchandise that did not sell and was shoved into stock rooms; and new merchandise that had arrived at the back door but had not yet been put out on the shelves and racks.

Storehouse had already recognised the problem of old stock - which in the past had been trotted out again in subsequent seasons - with a savage new policy on writing down stock that was not selling. But, says Dworkin, though Storehouse "intellectually understood that something was wrong," it did not have what Dworkin calls a "factory floor obsessiveness" - a determination to push goods through the stores.

Before Christmas the group cut prices on stock which had not been selling well to a level where customers did buy it and Dworkin decided, against the advice of his staff, to put spring ranges - which had arrived and were waiting in the stockrooms for spring - out on the floor. The first sacred cow had gone.

The move worked; already the shops are demanding more stock. That poses a problem in that usually British shops order most of a season's merchandise in advance. BhS has quickly had to find some new

sources of stock. Here Dworkin's American experience came in handy.

A trip to New York found a range of merchandise that could be delivered within four weeks, and would fit into the BhS price ranges and its margin structure.

This presented a cultural challenge for old hands at BhS. The merchandise could only be received in so short a time if the existing labels, with some one else's brand name, were kept in - changing to BhS labels would add another three weeks. Dworkin decided that that would be too long to wait, so another sacred cow has been slaughtered.

Dworkin is bemused by the British system of classifying people into social classes - A, B, C1, C2 and so on - preferring to think in terms of attitudes and lifestyles. These days, he reckons, shoppers are more ageless and classless, and too tight a targeting of a certain age group or class is merely "painting yourself into a corner."

He plans to rework the merchandise strategy to aim at "end user groups". This will involve looking at sub-sections of ranges - leisurewear, for



David Dworkin: "The pendulum has swung"

instance, includes four or five lifestyles, Dworkin says.

In the past BhS has worked on what he calls "dumb broad categories" - a dress buyer might have been told to go out and buy dresses, without a thought as to what kind of dresses or how they would fit into the store. By looking at what is selling, the chain can understand its customers better, Dworkin believes.

So far Dworkin has not closed any stores, preferring to see whether the worst stores will respond to the tweaking treatment. He is pleased with the "tweaking" at the Putney store - which would have been a candidate for closure if he had simply closed the 10 worst shops. It is a small store which was trying to offer both clothing and homewares. By taking out the homewares, he says, the clothing ranges could be expanded, with, he says, great success.

There is a lot of "fallow footage" - space wasted in stockrooms, for instance - which will be set to work. And while the goods on offer already look more attractive, picking the right merchandise, he says, is the easy part and only the beginning.

Service encounters

The importance of the company/customer contact

Simon Holberton on the implications for training

"We always travel with our teddy bears. When we got back to our room at the hotel we saw that the maid had arranged our bears very comfortably in a chair. The bears were holding hands."

"I needed a few more minutes to decide on dinner. The waitress said: 'If you would read the menu and not the road map, you would know what you want to order.'"

No prizes for guessing which company is likely to get repeat business. These two stories, from 700 collected and analysed by three American academics, highlight what marketers in service industries the world over should already know: that the way service is delivered is fundamental to success.

As the stories they collected in the US demonstrate, Mary Jo Binter, Bernard Booms and Mary Stanfield Tetreault focus on what they call the "service encounter", or the moment of interaction between the customer and the company. To them this is the most important element in the delivery of a service, be it in a restaurant, hotel, airline, a bank, or wherever the service provided involves human contact.

Often "that interaction is the service from the customer's point of view," they observe.

Binter, Booms and Tetreault's researchers collected 699 relevant stories from 375 people who used restaurants, hotels and airlines over a three-week period. The sample produced 347 satisfactory and 352 unsatisfactory encounters.

The authors subjected these incidents to a form of content analysis known as "critical incident technique" (CIT). They classified the incidents into 12 categories, including the way employees respond when services are unavailable, when they have to deal with customers who have made a mistake, and when they delivered out-of-the-ordinary service.

So what do the results tell us about the sources of customer satisfaction or dissatisfaction and what are the relevance and

implications for managers? Some of the findings are striking.

Of satisfactory encounters, 23.3 per cent related to the way employees responded to a failure of their company's service. When an employee compensated a customer, by giving him or her a free drink or a better hotel room, the customer frequently remembered the incident as very satisfying. "It suggests that even service delivery failures can be remembered as highly satisfactory if they are handled properly."

The highest proportion of satisfactory encounters (43.8 per cent) were the result of customer delight with

Managing the service encounter involves much more than just training employees to say "have a nice day" or answer a telephone on or before the third ring.

Unprompted and/or unsolicited employee actions. Customers remember those occasions when they receive special treatment by the employee.

The highest proportion of unsatisfactory encounters (41.5 per cent) was also attributable to unprompted or unsolicited employee action. This leads the authors to assert: "The importance of spontaneous interactive quality in service delivery cannot be over-emphasised."

More than 40 per cent of all incidents reported were the direct result of "unexpected treatment by an employee; the importance of how the service is delivered is underlined."

The implications of this for managers are manifold and require changes not only in employee relations but a greater awareness of customer opinion. The academics note that managing the service encounter involves much more than just training employees to say "have a nice day" or

answer a telephone on or before the third ring.

They argue that front-line employees are not trained to understand customers and do not have the freedom and discretion needed to relate to customers in ways that ensure effective service.

"The data from our study suggest that the ability of an employee to make a proper response is largely a function of the employee's knowledge and control. The CIT enables managers to identify what knowledge is needed and what control is required as well as providing a basis for determining which is more important for a given type of encounter," it says.

Binter, Booms and Tetreault stress that employees at the sharp end of service delivery need to be given more power to take decisions. Giving employees more control empowers them to act and enables them to solve problems.

Being invocations along the lines of "the customer is always right" (he isn't) and "we put service first" are seen as insufficient. Also, such open-ended criteria leave employees in an ambiguous position.

The authors note that in the US, service industries are growing in importance. But employees who have customer contact are often underpaid and under-trained and this results in low levels of motivation, job dissatisfaction, high staff turnover, and ultimately, dissatisfied customers. The same could be said for the UK.

"The implications for management are clear: greater care in recruitment is needed to find those individuals who possess a service orientation. Then comes training, motivating and rewarding those who exhibit the appropriate behaviour."

Although they do not mention it, the CIT analysis they discuss could also prove a powerful tool in training.

The Service Encounter: Diagnosing Favourable and Unfavourable Incidents. Mary Jo Binter, Bernard Booms and Mary Stanfield Tetreault. *Journal of Marketing*, Vol 54, January 1990.

INTERNATIONAL APPOINTMENTS



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ARTS

TELEVISION

Civilisation? It's all Greek to me

Christopher Dunkley looks at a series tracing the legacy of Grecian values in the modern world

Tomorrow night Channel 4 screens the fourth programme in its 10-part series *Greek Fire*. The episode is called "Sex" and it begins with pictures of a ruined Greek temple and a reference to the commentary to Plato's *Symposium* about the Greek myth about human beings hunting endlessly for the other half to which each was originally attached.

From that it moves on to a modern gymnasium ("naked exercising place" in the original Greek) and makes the link between today's cult of the body beautiful and that of the ancient Greeks. Then there is a comment from a woman described in a caption as "Feminist Critic" and another from Dr Oliver Taplin, consultant for the entire series.

The picture cuts to a gay rights march which is followed by the suggestion from George Steiner that those who oppose Clause 28 should mount public readings of Plato's *Symposium* and challenge the authorities to prosecute. "Because these are among the wellsprings of all imagining and understanding in the west, and if this makes us far more alert to the richness and cultural complexity of a homoerotic order of feeling, then surely its importance (the *Symposium's* presumably) is still very great."

The programme moves on to a clip from the film *Maurice*, a reference to E.M. Forster, and a contribution from Sir Kenneth Dover on precisely how the ancient Greeks regarded homosexuality. Explanation in voice-over of Greek hostility towards sodomy and lesbianism is accompanied by more gay rights march footage, this time in slow-motion.

We return to Steiner who says that "Aristotle's opinion that women have no souls seems to me an outrageous reflection, probably extremely" and then cut to David's painting of *The Death of Socrates*. Rather less than 10 minutes has passed since the end of the opening credits.

The idea of the series, encapsulated in the title, is a fascinating one: Greek fire was a combination of nitre, sulphur



Sex with a Grecian bent: Rubens' depiction of The Judgement of Paris picks up the cult of the body beautiful

and naphtha used by the ancient Greeks to attack enemy shipping. Its peculiar quality was that it would continue to burn in water, flour, oil, and even in the most hostile environment, just like so much of the culture of ancient Greece which continues to influence so many societies so profoundly to this day.

Although half an hour is a pretty short time to deal with topics as complicated as the Greek bequest in architecture, science, or politics, there are many points that stay with you after a viewing of the entire series. The very opening of Programme 1, with the *Apollo* missile taking off on its space odyssey, carrying its crew of astronauts, establishes the central theme very neatly. You may have known in a theoretical fashion that Greek statues were painted in realistic colours, but it is astonishing to see how garish and vulgar some of those glorious marble nudes look to today's viewer once you add a Mediterranean tan and blue eyes.

No doubt we should be glad

and grateful that we still have, in British television, people such as Revel Guest, the independent producer who found co-producers in the US, Greece, Holland and Sweden, to make this series possible, and who has the aim - almost vocation - to make such subjects accessible not to hundreds of people but to hundreds of thousands, even millions in the long run perhaps. We should also acknowledge our good fortune in having networks in this country which will still transmit such material at peak viewing time in mid-evening.

Yet that is not reason enough in my view to justify the manner in which these programmes have been made. Nothing is allowed to last more than about 45 seconds, whether talking head, film clip, or assertion in voice-over. Moreover there is an infuriating insistence upon the use of as many forms of communication as possible simultaneously: music is piled on commentary which is dubbed over film clip inserted into interview.

Obviously much thought has gone into the assembly of these

dense packages, and the producers may argue that if you watch and listen very carefully (and particularly if you watch more than once) you will derive more than you ever could from a conventional series. Once in a while the multi-layering works. There is a moment in Programme 1 when Steiner quotes Aristotle to the effect that if your town is so large that a cry for help at the centre cannot be heard at the city gate, then you are in trouble. As we hear this we are, thanks to the pictures, hurtling along the express track of the New York subway and thoughts about the growth of cities, cries for help, mugging, and *Hades* crowd on top of one another.

But for every rare moment of that sort there are a dozen where trickiness intrudes for its own sake - or in the misplaced hope, presumably, of averting boredom. In Programme 6, on architecture, a comment about Polydorus and poisoned milk is accompanied by a picture of a milkman taking one bottle of milk into a towerblock lift. Trying to work

out why, you lose track of the script.

In the final programme, on war, the soundtrack expresses thoughts about the advantages according to men who co-operate in fighting while we watch pictures of a rugby match. Sandhurst cadets, and Greek soldiers. Sir John Hackett and an Oxford don offer their ideas, then we have a quick glimpse of the Eton wall game, a word from Steiner, another from Sam Fuller, and finally a second Oxford don who speaks to us while flickering archive film of World War I fills the screen behind him.

Beyond all this frenetic activity, one feels, is a desperate producer who has seen the *Network 7* "you" programmes with their all-singing, all-dancing approach to programme making, and their preoccupation with "multimedia" communication (you know: lemon yellow captions on a lime green background, shown sideways against a strobe-light rock group), and has swallowed hook, line and sinker all that panic-stricken guff about the "three minute culture" which

maintains that nobody is capable of concentrating on anything any longer.

The series seems to be that if the producers do not keep us perpetually agog, like babies mesmerised in their cots by multi-coloured mobiles, we will all slope off and play bingo. Much the same attitude has spoiled BBC2's series about television commercials, *Washes Whiter* (though admittedly Episode 1 was even more ruinously affected by a script which was intent upon using hindsight to score points for feminism against the normal attitudes of the '50s and '60s).

Washes Whiter habitually squeezes its interviewees down into a "letterbox" slot and then runs its own name above and below the face with the name of the interviewee superimposed, so that the screen is crammed with two lots of printing at the top and two lots at the bottom.

Clearly this has much to do with producers trying to impress one another and, if anything, to do with pleasing the viewer. The producers can hardly imagine that the viewing figures for *Washes Whiter* will be improved by such trendy rubbish. The producers of *Greek Fire*, on the other hand, may very well believe that their busy-busy technique will improve their ratings. I doubt it.

Programme makers are terrible creatures of fashion, and would moan and raise their eyes to heaven at the suggestion that *Greek Fire* would be more effective if made in the style of Kenneth Clark's 1969 series *Civilisation*, with one knowledgeable presenter delivering a well-written script from a few carefully chosen locations. Yet that style would probably win an audience just as big as the present one, if not bigger.

The modern belief that viewers of *You and Me* and *Emmerdale* can only be lured into watching a series about the culture of ancient Greece by using lots of music, zappy cutting, and 45-second sound-bites is, I believe, wholly misplaced.

Christopher Dunkley

I Have Been Here Before

PALACE THEATRE, WATFORD

J.B. Priestley's time play *I Have Been Here Before* concerns a four successful middle-aged Yorkshire businessman whose marriage has gone wrong. In 1937 the part was created by Wilfrid Lawson. Priestley claimed he put more of himself into Walter Ormond than any other character. He is played here by Brian Protheroe with all the requisite Priestley-esque dourness, a sombre brooding individual who sits checking through balance sheets and simultaneously knocking back malt whisky by the tumbler, while his wife (Melanie Jessop) cannot take her eyes off a young headmaster (Philip Franks) who is staying at the same inn, miles from nowhere on the moors.

What a way to spend a fine Whitsun weekend! Ormond is on the phone half the time (an old tulip model, the pub still has a single digit number) to his wretched subordinate. The wild Yorkshire landscape which in the old days would have been half-glittered through the window of the residents' parlour where all the action, such as it is, occurs here - in the setting designed by Norman Coates - a striking presence of its own. Its vastness tends completely to overshadow the play's production. A blue mist rises over a perspective of grassy hillsides (pity the budget did not run to the odd sheep) which surround a domestic interior open to earth and sky.

Such realism of environment is of course fully justified by the sense of human beings iso-

lated in a mysterious cosmos (Priestley had been reading Guspensky, alas) which the play tries to generate; but it does present pragmatic difficulties for the cast when they have to move to the bar or the upstairs bedrooms, presenting them with a little assault course to cross first.

It comes into its own only briefly in act two when teacher and wife go off on a hike. The tranquillity of the interior is broken by the presence of the highly-strung landlady, well conveyed by Elizabeth Rider, bossing her old Dad (Geoff Oldham) around and even occasionally giving the customers the sharp edge of her tongue. But more disruptive is the presence of the mysterious Dr Gortler who arrives like the catastrophe of the old comedy to play havoc with them. Far from being permitted to get on with their adultery and their accounts in peace, they have to listen, until the landlady finally boots him out, to his philosophy of *deja vu* and its implications for their own lives.

John Woodvine thumps home the Herr Doktor's points in a strong Austrian accent backed up by a private system of semaphoric hand signals that he should appear incongruous it certainly succeeds. However, his big act three scenes of confrontation with Ormond come off well and reveal the hidden agenda of this rather pretentious but nonetheless moving play.

Anthony Curtis

Die Meistersinger

COVENT GARDEN

On Monday, in the current revival of Wagner's *Die Meistersinger* at the Royal Opera, the Canadian tenor Ben Heppner took over the role of Walther from the ailing Reiner Goldberg. As Max Loppert reported from La Scala not long ago, Heppner is a much-needed boon to the Wagner-Strasburg repertoire. In fact, since he won the 1988 Metropolitan Opera Auditions, his triumphs have been the key. Thomas roles of twenty-odd years ago: Walther, Lohengrin, Strauss's Bacchus. Barring accidents, he is set fair to become indispensable: opera *landmarks* everywhere must take care not to stretch him to the Thomas burn-out point.

The voice is generous, warm and dignified, with confidence-inspiring reserves; dramatically flexible, too - employed to intelligent theatrical purpose, not just to polishing the showpieces. What Heppner does with a music is seamless, united to what he makes of his words: either he's bilingual, or he enjoys the assistance of a superlative operatic coach. In any case his precocious operatic maturity is a great musical pleasure. For his age Heppner is excessively stout, a pity these days for a tenor predestined to romantic young heroes. Serious audiences will readily forgive him, but unless

there's unimpeachable medical evidence that the voice would suffer he ought to do something about that.

His judicious subtlety in "Am stillen Herd" was exemplary, and immediately affecting. He distinguished the crucial Prize-song occasions first the spontaneous, provisional draft, and then the confidently elaborated contest-verdict - quite beautifully, in ways that hardened opera-goers expect only from clever singer-actors who need to compensate for indifferent voices. If we missed the ultimate compelling ring in Walther's full-dress challenge, that was probably because the conductor Christoph von Dohnanyi's views about where to press on and where to relent were manifestly at odds with Heppner's.

No conducting prizes there: it's the knightly tenor who should triumph, not the orchestra, and only Dohnanyi has listened to Heppner's first verse he could have anticipated - but rudely didn't - what the singer required for the second. Elsewhere the orchestral part was of course ultra-soigné, and it was a relief to hear in the Prelude that he had coaxed the brass, grossly dominant on the first night, into faultless balance.

David Murray

SALEROOM

Selling spree in US

US museums are going on a selling spree. The Modern Art Museum in Fort Worth is offering at Sotheby's in New York on May 24 one of the most famous of all American images, "The swimming hole," painted in 1894 by Thomas Eakins, which shows a group of naked youths cooling off. It should go for up to \$15m, which would be a record for any US painting, or indeed work of American art. In 1955 Eakins's widow sold it to the Museum for \$700.

The Museum is cashing in the Eakins to raise money to buy in its newly designated collecting field - art after 1940. It tried to sell the painting to the Amon Carter Museum in Fort Worth, which in a deal between the local Fort Worth Museums (the most famous, the Kimbell, will concentrate on European art up to 1920) has assumed full responsibility for American art, but was unable to settle an affordable price.

Last month the Guggenheim in New York announced that it was disposing of works by Chagall, Modigliani and Kandinsky through Sotheby's in May, which might raise \$10m that will be invested in Minimalist sculptures. Last autumn, the world's richest museum, the Getty at Malibu, sold pictures in London for around \$12m. American museums have a long history of de-accession and occasionally disposing for derisory sums works that are subsequently seen to have been of great importance. Museums and galleries in the UK, although they now have government approval to raise money through de-accession, are unwilling to go down this path. It is against the wishes of past benefactors, and who knows how taste will change.

It is obvious that the speculative sectors of the art market are in trouble. Last week it was Impressionist and modern pictures that disappointed: this week it is classic cars. A tax loophole - not yet plugged - encouraged a rapid price appreciation in certain marques of cars. Now the bubble has burst, especially for the post-War vehicles which attracted most of the investment buying. Brooks and new auction house which specialises in this area, was almost two thirds unsold at its auction at Castle Donington on Monday. A classic car, a 1924 4-litre Vauxhall OD Kingston Tourer, made the top price, and was on target at \$45,000, but E-Type Jaguars of 1970 are typical of the marques which are suffering.

One example, estimated at up to \$45,000, was unsold at \$30,000: a year ago it would have been expected to sell easily at that price. Another casualty in the saleroom was the most important lot, a 1915 7.4-litre Rolls Royce tourer, a Silver Ghost which once belonged to Lord Delamere, social king of Kenya. It was bought in at \$280,000, but Brooks is confident that it will find a buyer privately at this reserve price. Phillips yesterday sold Old Master paintings for just over \$1m but with 28 per cent unsold. The demand for Dutch still lifes seems insatiable: they are decorators' art supreme and appeal to the newly rich. A bowl of fruit in a Delft bowl by Cornelis de Heem sold for \$187,000, near the top of the forecast, while another still life, of flowers, by Abraham Mignon made \$110,000, on target. A tiny work by David Teniers the Younger of a peasant filling his pipe realised \$50,000.

Antony Thornicroft

Finta giardiniera

BROOKLYN

The Brooklyn Academy of Music (BAM) is New York's showplace for celebrated international productions: among them Peter Brook's *Desire* and *Mahabharata*, the Arts Florissants *Ayis*, Nixon in *China*, the Welsh National *Falstaff*, and most recently the Brussels *Finta giardiniera*, first staged in 1986, and now brought over here for three performances. It was given in the majestic, BAM's latest acquisition: an old 900-seat house that had fallen into dereliction and was cunningly semi-restored (peeling paint and crumbling plaster carefully retained) to house the *Mahabharata* in friendly fashion.

The Brussels *Giardiniera* production favours - it has also been seen in Vienna, Salzburg, Berlin, Antwerp, and Amsterdam - but it was disappointing. The 19-year-old Mozart composed the *Giardiniera* for Munich, working at the top of his bent, and copiously. The plot involves two attempted murders: under emotional stress both soprano and tenor go mad. Opera seria and opera

buffa elements jostle, and some dark modern productions have concentrated too much, perhaps, on the former. The Monnaie production comes with an elaborate programme book filled with Marivaux, Diderot, Dali, Tasso, etc. The producers, Karl Ernst and Ursel Herrmann, seem to have aimed at adventures, some fierce, some funny, in an enchanted Garden of Love. (Their set is a popular grove, sparse and quite pretty; the costumes are mainly white.) But then they seem to have lowered their sights, by plastering the show with non-stop business, pratfalls galore, and an incessant use of conventional props: stuffed birds, bottles, flowers, feathers, washing on the line. A midge part Bros and part Puck, is added to the company and brought into play when there are not already enough extraneous characters onstage to distract attention from whoever is trying to sing an aria. A merit of the show was its textual near-completeness: the only cuts were of recitative; the only cuts ran for well over 4 1/2 hours,

that was chiefly because there were many, many long, deadly silences of up to a minute and more while gags or pantomimes were enacted.

It was not a "trust the composer" evening. Three Poles led an able cast. Joanna Kozłowska's Sandrina had striking moments. Marek Torzewski's Belfiore was fluently sung but hampered by the requirement to play the romantically confused hero as an amiable, beauty-patched fool. Elżbieta Smayth's Serpenta was lively but sometimes shrill. The singing that gave most pleasure was Lani Poulson's in Ramiro's "Dolce d'amor compagna," with its long slow roulades and bassoon obbligato. Malvina Major (Arminda), Ugo Benelli (the Podesta), and Russell Smythe (Nardo) completed the cast. Sylvain Cambreling conducted. The playing was proficient rather than exquisite. Perhaps the company has played this *Finta giardiniera* a few times too often.

Andrew Porter

A Girl Skipping

THE PLACE

Back in the dream kingdoms of when we were very young, our lives at school were spent in groups, ordered by the bell, in fealty to teachers, learning to join groups, to copy our contemporaries, to conform. This is the subject of a new 90-minute work, *A Girl Skipping*, by Graeme Miller, currently at The Place until May 14. A girl skipping that's how it begins. She does some 150-odd skips, and this alone takes us back into childhood - its dogged rituals, its way of filling time with repetitive action until the next bell.

The next few minutes are quite a feat of stream-of-consciousness. The girl joins the group of other children, and initiates a series of little actions with which they entertain themselves. There are five of them, as in E. M. Nesbitt or C. S. Lewis or Enid Blyton. After an hour, a sixth performer enters, first as a schoolmaster, then as one of the gang, and finally as a policeman, accurately and convincingly these adult performers enact children. They have the

artlessness of childhood in their vocal production, in their entire stance - even in the line of their spines and the gauche way they use their arms when running. The second wonder is that a work played by artists so persuasively childlike proceeds to make such adult points about childhood.

Whether the children are trying a stamping dance or telling stories or chasing each other, they keep showing the need of children to adapt individually to the group - now testing abilities as ringleaders, now trying covey bonding. They can even recreate the innocence of a game where the child who "taken poison" must orally transfer it to another child.

Miller is the writer, director, composer (with David Coulter) and designer (with Heather Ackroyd). He, Coulter and Ackroyd are three of the performers, along with Emma Bernard, Liz Kettle and from the group Ralf Ralf Barnaby Stone. To all six, all praise. And never was systems mini-

mation more appropriate than as the music to all these school-and-play rituals. The piece, which runs a wide range of mood, volume and pace, reaches a strong climax in intricately virtuosic ensembles: polyphonies of bell-rings and child-chants.

Dark elements are involved: a child's fear of experiencing the world, its way of testing out aggression and bullying, its sense of exclusion. As episode replaces episode, performers switch from one activity and mood to another. So, in one scene, one boy stands fixed to the spot, wallowing coprolitically, while the others all busy themselves, trying not to impinge on his little crisis. Two seconds later, he is playing at teacher. Some passages, as when one girl talks deeper and deeper into her own fears as the others sleep; but not many. With gathering power, *A Girl Skipping* suggests hauntingly, variously: the child is the adult.

Alastair Macaulay

April 6-12

ARTS GUIDE

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's sally ocean-going 1930s musical (the four or five) marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production. Ends April 12. The Lincoln Center in New York and is undemanding fare (734 8651, or 836 2493).

Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over as the alcoholic journalist who embodies a Falstaffian, nay, saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's own writing, from Bernard's own writing. Ends March 26.

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber opera derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic innocence. A probable, but unspectacular, hit (288 5972).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production. Grapes of Wrath (Cort). The Supperclub company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait

was worth it, with the 1930s production alive and in colour as well as its text of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation. The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22. Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 38th anniversary production does more than revive a rich, vivid musical; it also introduces a new better in the Merman tradition, Tyne Daly, as the bossy, tireless and wonderful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102). Grand Hotel (Broadway). Tommy Tune, Broadway's present musical doctor, depicts this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102). Sweetie Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (238 6200). Jerome Robbins' Broadway (Imperial). Anyone attracted by

the notion of three hours of film trailer madness will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece.

Cats (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically fine (226 6224). Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200). Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's glided sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

The Cemetery Club (Eisenhower). Elizabeth Franz, Eileen Heckart and Doris Belak star in new playwright Ivan Menchell's comedy of three widows who meet monthly to visit their husbands' graves. Ends April 20 (487 4600).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy backwoods establishment (358 8000). I'm Not Rappaport (Briar St). Shelley Berman, one-time stand-up comic, now plays Nat, Herb Gardner's memorable Central

Park character who gags his way through 1950s Tony Award winner (348 4000). The Good Times are Killing Me (Body Politic). This City Lit production of Lydia Barry's first play depicts an American childhood with poignant sadness (871 3000).

Tokyo Kabuki Kabuki-za (641 3131). Two lavish musical programmes (11am, 4.30pm) to mark the 50th anniversary of the death of the great Kabuki actor Utaemon V. Among those appearing is his son, 76-year-old Living National Treasure Utaemon VI. The highlight of the evening programme is Kago Tsurube, a famous 19th century play about a country bumpkin who falls in love with a courtesan, with tragic results. Excellent earphone guide in English and English-language programme. Ends April 23. King Lear (Tokyo Globe Theatre). The Renaissance Theatre Company, led by Kenneth Branagh, with Richard Briers cast play *King Lear* in the title role. (360 1151).

Hamlet (Ginza Kabukichan Theatre). Yuri Lyubimov's controversial production was originally seen in Britain and has since been on a world tour. The acting tends to be upstaged by the continuously moving curtain that dominates the set (535 0535). Bushin (Theatre Apple, Shitajima). Revival of the 1988 play by Higuchi Noda, the darling of Japan's fringe. (5478 0771).

Alm's Misbehaviour. Lively Broadway revue and 1978 Tony award winner, based on the music and times of the late great Patsy Walker MZA, Arizko (529 5187).

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A new bank for Europe

THE PROMOTION by President François Mitterrand of the European Bank for Reconstruction and Development, the new regional bank for eastern Europe, is a shining symbol of what has happened in Europe over the last decade. Upon assuming office, Mr Mitterrand was dedicated to turning his country in a socialist and economically inward-looking direction; now he is the parent of an institution dedicated to turning the socialist economies of eastern Europe in a market-economy and outward-looking direction.

Unfortunately, there are few other reasons for giving the new creation an enthusiastic welcome. It is unlikely to make more than a minor contribution to solving the problems of eastern Europe. Worse, it may prove a damaging diversion.

A number of details are still to be sorted out, but the outlines have been agreed. The new bank is to lead for projects. With a total capital of around Ecu 10bn (£7.4bn), just 30 per cent of it will be paid in, it will be small. The Inter-American Development Bank, for example, has a capital of \$80bn. Among the 40 or so shareholders of the new bank are to be the US, Japan, the Soviet Union and the countries of eastern Europe, but the EC is, quite naturally, to be the largest single bloc.

Where the proposed bank differs from other regional development banks is in the intention of lending at least 60 per cent of its money to the fledgling private sectors of the countries of eastern Europe. The intention is praiseworthy; it is also where the difficulties will start.

No guarantees

The new bank will be lending foreign exchange, without government guarantees, to private borrowers located in countries with inconvertible currencies and severe shortages of hard currency. Many of its loans are bound to go to joint ventures. Such ventures would, however, be in a good position to borrow money directly in western financial markets.

That the Bank may not, in the event, add much to the resources available to the countries of eastern Europe

may be no great drawback. Given the huge debt problems of several, notably Poland and Hungary, a substantial further increase in hard currency borrowing is not a high priority.

More worrying is the diversion of high level western attention. Helping the countries of eastern Europe is going to be hard enough. It will not be made easier by a concentration of limited ministerial attention on such illiquid issues as whether the bank should be located in London, Vienna, Prague or some other point north, west, south or east, whether its capital should be denominated in Ecu or dollars, whether its first president is to be a French socialist or a Dutch liberal, or even - on a more serious plane - whether the Soviet Union, too, may dip its ladle in the pot.

Diverted attention

Is the diversion of attention perhaps deliberate? There are, after all, more significant, if more difficult, issues. Debt relief is one; the strong case for grant assistance, particularly in support of economic adjustment and the alleviation of environmental degradation, is another. Tricker still is trade policy. Countries of eastern Europe desperately need free access to the markets of the west, notably in sensitive areas like farm produce and textiles and clothing. Brussels has been arguing, somewhat complacently, that the further integration of western Europe is no obstacle to the drawing in of the east. Will it dare to prove its point by liberalising the common agricultural policy, that prime symbol of the excesses of past EC integration, for the sake of eastern European countries?

The debate about the proposed European Bank for Reconstruction and Development is not merely full of sound and fury, signifying little; it is a diversion of attention from far more important matters. In itself, however, the bank should do little harm to the fragile private sectors of eastern Europe. Perhaps it will do so, but it is a President who shares the free market faith of his eastern European counterparts will somewhat strengthen confidence in that happy outcome.

UK's push, Europe's pull

FORD'S DECISION to transfer the second stage of its planned investment to modernise its European engine manufacturing capacity from Bridgend to Cologne is a sign that the terms of competition for inward investment into Europe are changing. Labour relations in Ford's UK plants have become more tense in the last three years and were a factor in the decision to move the £225m investment. But they were not the only one. The bulk of the UK programme will remain.

In the past decade, Ford has integrated its European manufacturing operations more closely than before. Just-in-time production techniques and single sourcing to cut costs make it much more vulnerable to industrial disruption. The unions, however, should not bear all the blame. Ford announced its Bridgend investment after the 1988 strike, which was much more costly than the recent dispute. In the mid-1980s Ford's senior executives probably over-estimated the extent to which industrial relations had changed in the UK. As a result, they planned to concentrate engine production in the UK. They are now backtracking from that misjudgment.

If not as good as one would like, labour relations are better than they used to be. Only yesterday the Bridgend workforce accepted wide-ranging reforms in working practices to allow greater flexibility. Although the performance of the Dagenham plant is still a thorn in Ford's side, executives praise the productivity improvements which have been delivered at Halewood, once the bane of the UK operations. Productivity in the British plant still lags behind those on the continent, but in engines the gap is only 10 per cent. Once the UK's lower labour costs are taken into account, the difference in unit costs is negligible.

GM investment

As Ford is shifting investment out of the UK, General Motors is investing £160m in an engine plant at Ellesmere, attracted by one of the most radical labour agreements yet signed in the industry. Ford itself has recently spent £1.6bn to acquire control of Jaguar.

The second factor in Ford's thinking was environmental concerns. As regulations start to tighten their grip on the do, they will increasingly be reflected in investment plans. Ford has calculated that environmental controls mean the existing engine produced at Bridgend needs to have its life extended, while the single overhead camshaft engine produced at Cologne may now have a shorter life than expected a few years ago. Jobs and production should be maintained in Cologne by giving it some of the investment in the new range of lean-burn engines.

Industrial politics

Yet the third, and perhaps overwhelming, factor was the new industrial politics of Europe. When the investment plans for Bridgend were announced, IG Metall, the West German engineering union, joined forces with unions in Spain to complain of Ford's British bias. The prospect of German unification has created an even more powerful magnet for European industry. This is not the time to be seen retreating from the West German market and, unlike other car makers, Ford does not have joint-ventures in the east. In the mid-1980s Bridgend may have looked like an attractive gateway to the post-1992 market. Now it looks a long way from Berlin.

Ford's runs a large trade deficit on its UK operations. Only 61 per cent of its UK car sales last year were made up by products manufactured in Britain. The unions argue that it should match its sales in the UK, with a commitment to local manufacture. But as trade barriers crumble, the distinction between UK and European markets is going to become less relevant.

FT writers on efforts to defuse continuing Japanese-American trade tensions

Managed trade by another name

On the outskirts of Osaka, a 60-store import emporium cum monument to trade friction has been built by the Matsushita electronics group, which, like other large exporters in Japan, is under ever urgent pressure from Washington and its own government to be seen to be importing.

When the complex, the International Marketplace, opened a couple of weeks ago, there was a queue outside the Naturally British store and a rush on its hand-made beechwood golf tees, a shoulder-to-shoulder scrum in the Italian leather goods shop, and even a bit of bustling around the Australian leisure wear. But for Japanese shoppers, the only US product to generate excitement was the high-calorie, low value-added popcorn at the Popcorn Palace.

That is a small illustration of the trade problems that are likely to continue to dog Japanese-American relations, despite last week's agreement by US and Japanese negotiators on a series of moves designed to increase Japan's propensity to import. Month after month, Japan's awe-some trade surplus has fallen in the past year - by \$13.12bn to \$64.44bn in 1989. Its current account surplus has fallen from 4.5 per cent of GNP in 1986 to 2.2 per cent in 1989, and was in deficit in January for the first time in six years. But the trade surplus with the US has dropped only marginally, from \$51bn (\$31.1bn) to \$49bn. And with each passing month, Washington has grown more irritable.

Last week's agreement, in talks under Washington's so-called Strategic Impediments Initiative (SII), may serve to defuse the immediate crisis, and buy time for the US administration in the face of an increasingly restive Congress. But it is by no means clear that American companies will be the ones to benefit from the planned liberalisation measures.

A year of decline is more than a wobble on a graph, as is a 37.9 per cent increase in imports from Italy in 1989, a 41.2 per cent increase from France and a 40.1 per cent increase

from Thailand. But the fall is not a simple matter of surging imports. The increases, like Japanese consumers, are selective, and there are other factors in it besides consumer demand, such as higher oil prices and price cuts by Japanese exporters.

However, US annoyance at the still formidable Japanese surplus is unlikely to go away. Indeed, if economics alone were at work, the surplus might be even higher this year. The weak yen means ever more enticing prices for Japanese products, while a slowing of domestic demand is a good reason for Japanese companies to export.

A yen at more than 155 to the dollar has left Japanese companies, most of which measure success by market share and estimate ¥120 as the break even point on exports, with a unique dilemma. They are now in a better position than at any time in the past few years to cut prices and increase foreign market share.

Yet the politics of trade could prompt them to make a fundamental policy change and take extra profits in the US market. The Ministry of International Trade and Industry (MITI) is urging restraint, for instance, telling car makers to reconsider already well-advanced plans to expand domestic production capacity.

The irony of US criticism is that most Japanese agree that their markets are in need of opening up, and that policy has for too long been guided by the interests of producers at the expense of consumers.

There is a widespread sense that outside pressure is useful in forcing slow-moving institutions to respond to changes within Japanese society. But there is also a sense among Japanese that Washington, in its social reforming zeal, has overlooked a more basic trade problem: the fact that US products are not competitive in the Japanese market and, apart from matters of price and quality, have serious image problems among consumers.

Take the recent complaints of Mr Robert Mosbacher, the US Commerce Secretary, about Japan's allegedly

closed car market. Foreign car sales are rising at an annual rate of around 60 per cent this year and have risen for 74 months in succession, although the combined imports of the big three US makers, Ford, GM, and Chrysler, have been overtaken by those of the Rover group alone.

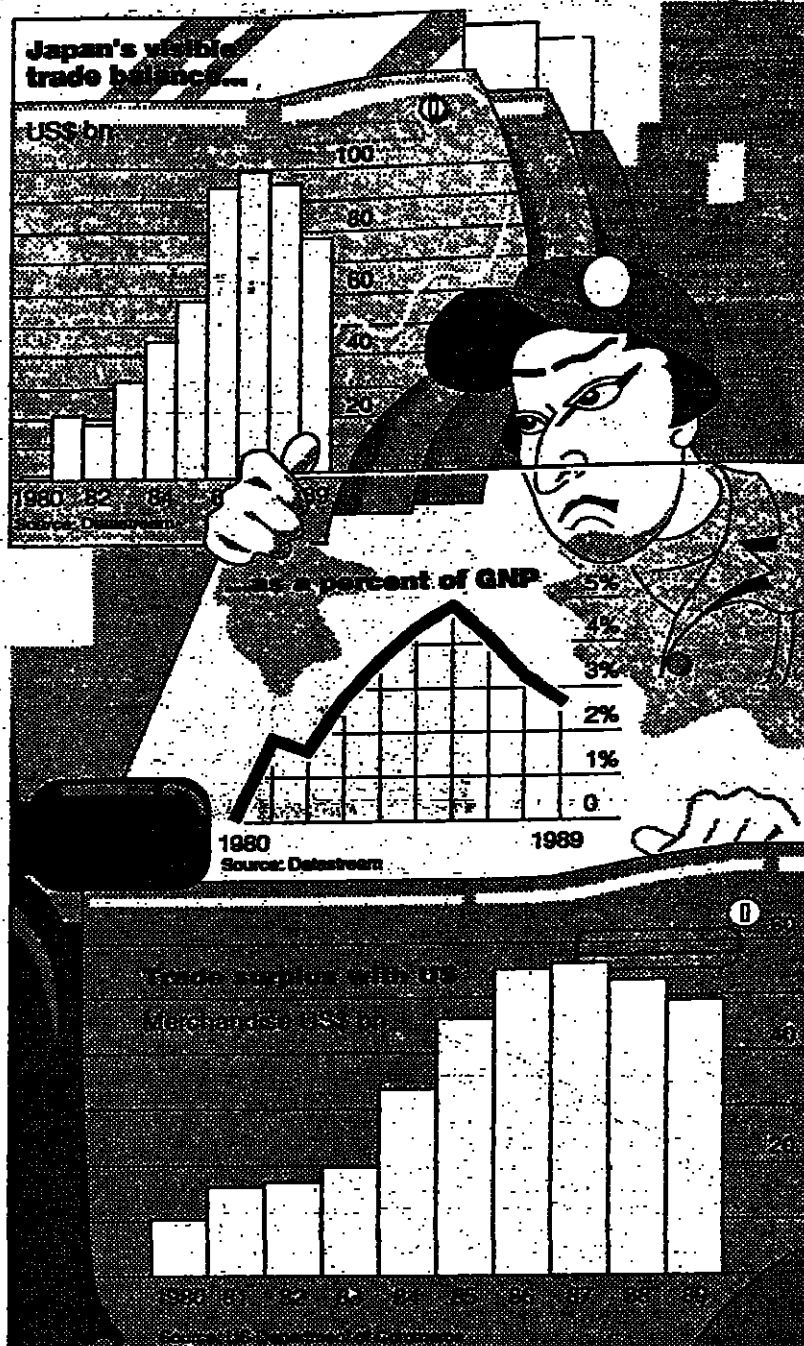
Admittedly, foreign makers had a market share of only 4.5 per cent last year. Yet the tone of US criticism suggests a belief that Japan's narrow streets are a structural impediment and should be customised to fit US cars. In the meantime, US officials are demanding that auto parts imports be increased, or else they, too, may be listed under Super 301 - the punitive section of the trade act.

The US Administration insists that SII is a creative response to those in Washington who advocate managed trade, but trade disputes generally force a managed response from Japan. On semiconductor, Japan has agreed to increase the foreign share of its market to 20 per cent. On supercomputers, it has given a guarantee of Government procurement of US-made machines.

The trouble is that the more Japan grants "managed" concessions to the US, the more Washington is convinced that central manipulation of the Japanese market is the road to success, and the more US officials overlook the Japanese consumers they now claim to represent.

Against this background, legislative changes will not be of much help. The Large Scale Retail Stores Law is a case in point. US officials have long been urging Japan to scrap this politically-sensitive law on the grounds that it slows the opening of larger stores which have more shelf-space for foreign goods. Japan has now promised to quicken approval times for new stores to 18 months this year and a year in 1991. The US hopes that, apart from shelf space, the changes will provide room for US companies such as Toys 'R Us, whose ambitions to build a chain store network have been cramped by the law.

But an easing of restrictions on big-



ger stores will also create space for ambitious chains such as Nichi and Bo-Yokado, which has agreed to buy a 75 per cent stake in the ailing Southland Corp of Texas, and has a brief to teach that company how to run its chain of 7-Eleven convenience stores. Mr Minoru Tanaka, a general manager of Nichi Co, a large Japanese retailing group, is pleased by the prospect of US pressure laying the founda-

tions for his company's expansion: "For us, it is a welcome development because we will establish more stores, more quickly."

Japan may now be displaying a healthy appetite for foreign goods. But US and other foreign companies are going to find the competition in the Japanese market stiffer than ever.

Robert Thomson

Talks 'buy time'

decals for the broader multilateral trade talks of the Uruguay Round.

But there is still scepticism in Congress. Important senators concerned with trade policy, like Democrat Lloyd Benken and Republican John Danforth, want "concrete and specific results." Mr Dick Gephardt, the Democratic House Minority leader and a fierce critic of Japanese trading practices, has described the SII agreement as just "the trading of press releases."

Influential policymakers in the Bush administration, such as Mr Nicholas Brady, the Treasury Secretary and Mr Richard Darman, the Budget director, as committed free traders, argue that the barriers to US exports that exist in Japan only account for a small part - perhaps 15 to 20 per cent at most - of the bilateral trade deficit and that much of the problem lies in macroeconomic policies and weaknesses in US industry.

But these instincts are offset by political pressures stemming from the persistence of a large US trade deficit with Japan; worries that the US is losing out in sectors such as semiconductors and in new technologies such as high-definition television; and a widespread feeling in the US that Japan is behaving unfairly.

The Bush administration has sought to shift the emphasis to market-opening rather than retaliation or managed trade. In part, the Treasury produced the idea of SII as a response to the continued large trade imbalance which, it argued, reflected not just the impact of exchange-rate movements but also various structural impediments on both sides. The State Department has seen SII as a way of increasing the economic interdependence of the two countries and helping to improve the relationship.

The administration has had to talk

tough, yet by raising expectations, what was intended to be a long-term discussion of deep-seated structural problems has turned into the usual cliff-hanging form of trade bargaining.

The results are bound to seem nebulous, yet the US side has claimed, as a first specific commitment and public recognition by the Japanese Government that structural impediments do exist. Mrs Carla Hills, the US trade representative, said she expects the Japanese to increase spending on eight public works programmes this year; review land-use regulations and taxation to facilitate property development; substantially liberalise retailing law to shorten the approval period for opening large stores; and to lift a range of other measures seen as anti-competitive.

All these ideas have been presented by the Japanese Government as being in the interests of the country's con-

sumers. In that sense the SII talks represent more than the usual battle of producer interests.

Moreover, the interim report promises to monitor and follow-up the pledges. As Mr Charles Dallara, a US assistant treasury secretary, put it: "The door (to structural reform) is ajar; we have to open it more fully."

What has been largely ignored in the US is that the SII discussions are, as President Bush has said, a "two-way street." The US has made a number of commitments to improve its competitiveness, by reforming its anti-trust and product liability law, cutting capital gains tax, encouraging savings and raising educational standards. But almost all were merely a repetition of existing proposals in an attempt to save Japanese face.

Overall, the impact of the agreements are likely to be smaller than the adverse effect on the trade balance of the recent rise in the dollar against the yen.

Peter Riddell and Nancy Dunne

Supply side budget

■ Anyone who wondered whether Donald Gelling was big enough to fill the shoes of David Cannan had their answer yesterday when Gelling presented his first budget to Tynwald, the Isle of Man's ancient Viking parliament.

Cannan was sacked as finance minister last December after rubbing up too many people the wrong way. Gelling, an unknown promoted from agriculture minister, has continued tax-cutting almost where Cannan left off.

We have it on good authority that Cannan would probably have cut the standard rate to 12.5 per cent. Gelling has left it at 15 per cent, but bumped up allowances by 25 per cent. While Cannan's political instinct would have gone for a rate half that of the UK, Gelling has taken many more people out of tax altogether.

Gelling was elected only three years ago. Now 51, he did very well out of plant hire, and his independent means as a result. Politics is full-time. He has even persuaded his wife, Joan, to give up her job in the local health service to help him look after his constituency while he runs the treasury.

Tax cuts have led to surges in tax revenues as the island's economy has continued to grow. More of the same is expected. In future, 88 per cent of islanders will pay no income tax at all. The aim remains a basic rate of 10 per cent.

Shrinking £

■ Stand by for the new, smaller 55 note. The first issue is due on June 7. It will measure 70 x 135mm, against 78 x 145mm for the current note. There will be a new portrait of the Queen on the front and, this being the age of the train, a portrait of George Stephenson on the back.

Smaller £10, £20 and £50

OBSERVER

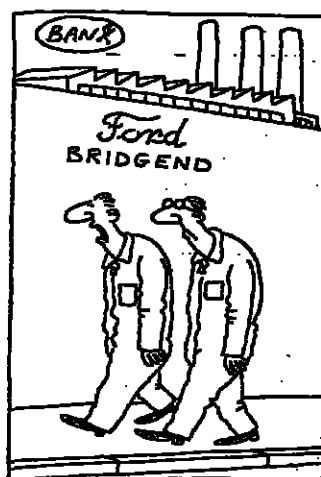
notes will follow later. Each will feature an historical figure as well as the Queen, though the identity will not be revealed until nearer the time.

One wonders, incidentally, how many people can name the two tables there is a discreet little white box with a black button on top. Press it, and one of the assistant managers comes running. Very handy for those frustrating moments when you seem unable to attract the waiter's attention.

The two restaurants - in Cannon Street and Moorgate - are part of a chain of five run by Corney and Barrow, the 200-year-old wine merchants who cater exclusively to the businessman. Christopher Brown, the managing director, says: "We like to think our service is very good. But you're dealing with people who are very time-conscious. If they're trying to impress a client, they don't want to have to wave their arms around."

The buzzers, which are actually battery-driven miniature radio transmitters, were developed by Bell Telecommunications and are not cheap: a new system costs about \$4,000-55,000, including a central display board which shows the table that has buzzed.

Brown says they are mostly used when customers want the bill. But just in case the buzzers don't get things moving fast enough, he is about to introduce a money-back guarantee for clients who - for lack of service - can't complete their meal in 60 minutes.



"First the Berlin Wall goes, then we do."

ing fast enough, he is about to introduce a money-back guarantee for clients who - for lack of service - can't complete their meal in 60 minutes.

Church PR

■ There are more than 53m Catholics in the US, and polls show that many Catholics women support a woman's right to limited access to abortion. The Bishops have now come up with a response to this liberal drift among its members: a nationwide marketing campaign to oppose abortion likely to cost up to \$5m over three to five years.

The Bishops have hired Hill and Knowlton, a well-connected public relations firm, and the Wirgin Group, headed by Richard Wirgin, former President Reagan's chief pollster, to run the campaign, which is aimed at Catholics and non-Catholics alike. Funds will be raised from private individuals.

The Church hired a PR firm to help with the visit of John Paul II to the US three years

ago; but this is believed to be the first time it has sought outside help on abortion.

Already the Bishops' spending plans are drawing fire. Some worry that existing church programmes will suffer. Others accuse the church of abandoning the spiritual arena in favour of directly attempting to influence laws, though black Baptist ministers did the same during the Civil Rights movement in the 1960s.

Talk of war

■ Almost everybody who knows anything about it seems to think that there will be a war between Israel and Iraq in the relatively near future: within the next two years at the outside. When I was first told that - by an exceedingly well-placed American source - a few weeks ago, I thought that he might be exaggerating. But it seems that British experts go along with him.

So much so that speculation no longer takes the form of whether there will be a war, but what will happen afterwards. The preferred theory is that Israel will make a pre-emptive strike on selected Iraqi military and chemical weapons installations, that Iraq will huff and puff, but will not make much of a military response and will find, in the end, that it has few friends in the Arab world.

Of course, it may not work quite like that. There are a few variations involving Syria and Iran, and there is some concern about future oil supplies. But that, broadly, is what the experts are saying.

Infinite variety

■ From a California newspaper: "He said the defence had tried to paint the accused as the innocent victim of circumstances, but the truth was that she was a whited sepulchre, a tarnished lily with feet of clay, and the cunning of a vixen." In other words, a mixed bag.

Only JAL have 33 flights a week from Europe to Japan.

JAL
Japan Airlines

A year ago everything seemed to be going right for British Airways. At home and abroad it was regarded as the ultimate business turnaround story and one of the most successful of the Thatcher privatisations.

But barely a year later some of the magic appears to have gone. There was first the controversy last summer over the salary increase of Lord King, the airline's chairman. The company which prides itself on its approach to employee training and involvement, faced a strike last year by cabin staff on its UK routes. Just as it is more intense competition from British Midland, the second tier UK airline.

In the autumn the airline's international ambitions were upset with the United Airlines (UAL) fiasco. BA was planning to invest \$750m in a 15 per cent stake in the US airline. But the deal collapsed. The UAL debacle kindled rumours of top management tensions at BA; these the company denied.

Now the company's ambitions to expand in Europe may be stymied by a Monopolies and Mergers Commission inquiry into its proposed \$64m acquisition of a 20 per cent stake in Sabena World Airlines, the new Belgian international carrier.

Although BA remains one of the most profitable airlines in the world, like other major international carriers it faces a rough ride in an increasingly competitive airline market.

The airline business remains a long-term growth sector, with traffic expected to continue to rise at an annual rate of 6-7 per cent throughout the decade. But it is also hostage to economic downturns and fuel price increases, as well as having to adapt to deregulation and to cope with the growing problems of congestion in the air and on the ground.

All these new pressures coincide with the launch yesterday by BA of a revised edition of the company's "mission and goals" in Sabena World Airlines.

Sir Colin Marshall, BA's chief executive, who claims he always carries the little card setting out the company's creed, says it is important for a company to "recharge the batteries" every so often. "It is essential that we take a look from time to time at a document like this. One has to ensure employees are motivated on an ongoing basis," he explains.

Its revision coincides with a trend among major privatised British companies which, like Moses, appear to need to spread the tablets of their corporate goals before their employees, to reinvigorate

Paul Betts, Paul Abrahams and Charles Leadbeater report on an airline's credo

BA recharges its batteries



Sir Colin Marshall (left) and Lord King; BA's Chief Executive and Chairman respectively

their management after the initial burst of energy from privatisation has started to wear off. Unlike British Petroleum and British Telecom, which have recently restated their goals, BA plans no management reorganisation.

Sir Colin concedes that on the surface at least, the goals appear platitudinous. They state, among other things, that BA's mission is "to be the best and most successful company in the airline industry." One of the goals to achieve this is "to secure a leading share of air travel business worldwide."

Yet behind the platitudes, the new document is significant in that it fixes the broad direction the airline intends to take in the early 1990s.

The statement is designed to help the company refocus on its core airline business. "The message is that we have no intention to diversify in any substantial way," emphasises Sir Colin.

The latest restatement is a response to the changes taking place in the company's commercial environment.

The company's costs, like those of other airlines, are rising with higher fuel and labour charges and increases in air traffic control and airport landing fees.

BA must cope with more robust competition from other large carriers with aggressive expansionary plans. American Airlines has made no secret of

its ambitions to exploit the new opportunities in Europe's increasingly deregulated airline market as well as expanding in the Far East and Latin America. "We want to fly everywhere where we can fly profitably," says Mr Bob Crandall, American's chairman who has turned the airline into the biggest US carrier.

Competition is getting tighter on BA's lucrative long distance routes. Far Eastern carriers are all manoeuvring to increase their long distance capacity.

BA is also trying to restore the deteriorating margins on its European short haul services, as other large European carriers like Lufthansa and Air France become more aggressive.

Lufthansa has set its eyes firmly on the new opportunities in eastern Europe while Air France recently took control of UTA and Air Inter in France - a deal now under the scrutiny of the European Commission.

These competitive pressures are likely to increase as regulations which limit competition are liberalised in Europe.

Mr David Jones, BA's new head of corporate strategy, believes the mission and goals should allow the company to set clearer priorities to adapt to the new environment.

He says: "We have had a problem focusing on different elements of success at the same time. In the early 1980s it

was cutting costs, then improving the quality of customer service, then marketing and branding."

The most important goals, he stresses, remain the need to match safety and security with a strong and consistent financial performance. BA has a good record in both areas. The company seems set to report further profit growth for 1989 and 1990, at a time when several other European and US airlines have been reporting lower earnings.

But for the first time the need to control costs is explicitly stated. The airline needs to emphasise value for money and provide quality at competitive cost levels. "We can't have quality at any price. That was not explicit before," says Sir Colin.

The other key goal of securing a leading share of the world air travel market will depend on external factors as much as the company's skills, as the events of the last few weeks eloquently testify.

The British Government's decision to refer BA's stake in Sabena World Airlines to the MMC is a blow for the airline. BA hopes to use the Sabena association to develop a major European hub at Brussels as part of its strategy to restore the profitability of its European operations. BA has made it clear that it is not prepared to negotiate a compromise over its Sabena stake as it did dur-

ing its takeover of British Caledonian just over two years ago. At the same time, BA efforts to increase its penetration of the US market have continued to be frustrated by the failure of the US and UK governments to renegotiate the bilateral air service agreement between the two countries known as Bermuda 2.

Through a marketing agreement it negotiated with United two years ago, BA has been better positioned in the US than many of its European rivals.

But in recent months, many competitors have been attempting to catch up through deals with other US carriers. Swissair has entered into a global cross-shareholding alliance with Delta of the US and Singapore Airlines. KLM Royal Dutch Airlines has invested in Northwest and SAS owns a holding in Texas Air.

Although Sir Colin says BA will not become involved in a new United buy out plan, he is watching the situation closely. He remains confident that whatever the outcome, the marketing agreement with United will stick because it is so profitable to both airlines.

Lord King recently complained that the upheavals at UAL have distracted the US carrier from developing the agreement. But it is at the centre of BA's globalisation strategy, involving agreements and alliances with partners around the world. One recent example of was the marketing deal with Air New Zealand, despite BA's initial failure to acquire a stake in the airline.

At the same time, the company will pursue its policy of fleet rationalisation (it is poised to take a \$38m decision to purchase new aircraft to replace its old DC-10s and L1011s trijets). It is also continuing to market specific passenger services with brand names; it is about to launch a new "super economy" class. It sees improvements in punctuality as key to success and is further developing computerised ticketing systems.

Mr Jones says that the success of many of the mission statement goals will ultimately depend on the performance of BA's senior management and in particular of Sir Colin. But he also says that if the goals are to be achieved the sense of mission will have to cascade through the company. Much will depend on how successfully Lord King and Sir Colin can rally their troops.

The neat plastic cards with the company's credo are designed to this end. The question is whether the message they carry will rub off on employees.

Leaving it to the History Man

Michael Prowse argues that Mrs Thatcher should stop interfering with the National Curriculum

WHAT we want is to see the child in pursuit of knowledge, and not knowledge in pursuit of the child - George Bernard Shaw.

MRS Margaret Thatcher must be wishing she had appointed Magnus Magnusson, the presenter of the television quiz show *Mastermind*, as chairman of the National Curriculum History Working Party. Mr Magnusson has an admirably robust approach to the assessment of knowledge. He simply shines a powerful light in the eyes of contestants and fires factual questions at them. The winner is the person who can recall the most information at the greatest speed.

In contrast, Commander Michael Saunders Watson, the old Etonian chairman of the history group, has proved a wishy-washy liberal. In his interim report last August, he argued that students should not be assessed on factual knowledge *per se*, the formal "attainment targets" instead included goals such as "understanding points of view and interpretations of history."

Mr John MacGregor, the Education Secretary, rejected this approach. He asked the group to consider making factual information an attainment target in its own right. Mr Saunders Watson and his colleagues, mainly teachers and professional historians, have thought again: their considered conclusion is that factual information should form a crucial part of the statutory "programmes of study" but not be included in attainment targets. The Commander, in other words, is not to be intimidated.

Downing Street is reportedly displeased. Mrs Thatcher will not accept the final report. Mr MacGregor is playing for time: implementation of the recommendations is being delayed for two months while he seeks a second opinion on the feasibility of *Mastermind*-style tests. Meanwhile, one of the members of the working party has revealed that submissions on the interim report, which the Government will not publish, overwhelmingly support its approach.

Are Mrs Thatcher's concerns (which are shared by right-

wing groups such as the Centre for Policy Studies) justified? A careful reading of the final report suggests not. Mr Saunders Watson and his colleagues are not saying that factual information is unimportant; they are merely arguing that it must be assessed "in the only way that invests it with meaning: in context." Without understanding, "history is reduced to parrot learning and assessment to a parlour game."

There is nothing at all radical or progressive in this view. In Britain, the essay has been the traditional means of assessing achievement in history. It has never been possible for students - whether taking O levels at 16 or Oxbridge entry at 19 - to attain high marks simply by listing facts. The essence of the essay approach is that the student uses factual information as and when necessary to develop the argument and convey an understanding of the issues.

The working party's decision to make skills and understanding the focus of attainment targets is thus wholly consistent with long-standing educational traditions. Factual information is kept in its proper place in the programmes of study. This is also the only practicable approach given the peculiarly complex system of assessment being introduced. Under the National Curriculum, students are expected to climb an educational ladder with 10 rungs: in each subject working parties have to specify 10 levels of attainment.

This model works well in hierarchical subjects, such as mathematics and science. But in an arts subject such as history, the notion of linear progression makes less sense. The history group had enough trouble attempting to make its broad-brush attainment targets conform to this artificial structure. Takes the target "understanding history in its setting." When explaining historical issues, level 7 pupils will be expected "to show a detailed awareness of the idea of change." Level 8 pupils will have to "apply extensive understanding of change to complex historical issues."

Spot the difference if you can. If factual information became an attainment target, the problems would become hairier still. The history group is surely right to argue that "there is no defensible rationale for assessing information to any given level or number of levels... the judgment that one historical fact is of more or less importance than another must always appeal to a wider historical context." Just imagine trying to specify 10 levels of factual knowledge about the Thatcher Government (1979-1992), which level (if any) would need to know the names of all her Trade Secretaries?

The real concern over the history curriculum is not that insufficient emphasis is being placed on facts but that politicians are meddling in matters about which they have no special expertise. The Government has already exploited its power by appointing a committee which it thought would produce the "right" answers. Mr Saunders Watson, the owner of Rockingham Castle in Leicestershire and a past president of the Historic Houses Association, was picked precisely because he was not a professional historian or educationalist. Ministers should now have the good grace to accept the committee's recommendations.

The concept of a National Curriculum is highly dubious. There is little educational logic in attempting to impose a single blueprint on all state schools. But given that this is official policy, the history group has done a remarkably good job. My reaction after reading the final report was that it should be fun to teach (or learn) history in the 1990s. GBS would have approved.

The proposed curriculum is balanced and liberal. It makes a spirited attempt to rectify existing flaws - such as the tendency to regard Britain as the centre of the universe and to play down the importance of social and economic history. More world history and less emphasis on the activities of English kings and queens are clearly desirable in what is now a middle-ranking, multicultural nation.

The working group deserves public support in its fight to withstand political interference and the *Mastermind* syndrome.

LETTERS

Telecoms and a UK opportunity for leadership

From Mr Nigel Kynilo.
Sir, Hugo Dixon's three-part series just ended ("Phone cartel faces up to inevitable change," April 5) made reference to the current telecommunications regulatory environment in the UK and Europe.

The UK has an opportunity to assume a leadership role in the development of eastern Europe and to assist in its entry into the 21st Century. If the doors of financial commerce are to be opened, the European Community must permit expansion and vigorous development of one of the primary tools of capital formation: telecommunications.

Once the telephonic "seal" of commerce are opened, the financial and commercial markets of Europe's emerging democracies can flourish. Eastern Europe can transform itself from a welfare drain to a self-sustaining contributor. There is still time for the UK to decide whether it

will lead that process or ignore it.

A unified Europe represents an opportunity akin to being able to invest in the infrastructure of the US a little over 100 years ago. People from all over the world (especially Europeans) profited enormously from that development. Freedom of enterprise, not restrictive regulation, was the key. History can repeat itself.

If investors and businesses are to succeed in Europe they will, for the time being at least, have to pass through the UK. London is the world banking centre and gateway to European finance and, once again, England has the opportunity to become a major global force.

As water seeks its own level, so will international businesses seek the path of least resistance to achieve their ends. It is these entities that the UK must accommodate.

It will take more than the convenience of being ideally

located, time-zone-wise, for the UK to maintain its position as a "capital of capital" and trade. France, Spain and Germany, are positioning themselves to offer formidable competition for the designation as financial and cultural leader of Europe and perhaps the world.

The UK must concentrate more on connecting with the rest of the world, than on unfounded fears about the impact that deregulation of international telecoms resale may have on the universal service capability of the UK's dominant carrier. I say "unfounded" because the US experience with deregulation shows that resale, in particular,

● created a rich diversity of services that had not been available previously;

● promoted competition among the dominant carriers, which resulted in lower domestic rates as long distance business users discovered these

new services;

● and fostered employment in an entirely new telecoms industry by giving users what they wanted rather than telling them what they could have.

It is difficult to understand how the British Government can be concerned about resale affecting British Telecom's ability to provide UK universal service, yet have no problem with multi-billion dollar out-of-country expenditures (such as purchases of Tymnet, and McCaw Cellular stock). If universal service really were threatened, this money could be applied to that need.

Nigel Kynilo,
1 Devonshire Place,
Boston, Massachusetts

Snapshot

From Mr Roger Giles.
Sir, We wonder why you chose, on our opening policy conference day (April 4), to photograph the press and observers' gallery of the Wolvenhampton Civic Hall rather than the floor where several hundred party members were engaged in developing policy. Roger Giles,
Convener, Media Committee,
The Green Party,
10 Station Parade, SW12

A taking of liberties

From Mr J.K. Swales.
Sir, Christopher Dunkley, begins his article reviewing the Granada programme, "Who Bombed Birmingham," "Never mind the method, establish the truth," April 4) with the statement: "There are few countries in the world where there is more liberty for the individual, greater freedom of expression, a more effective democratic process, or a better chance of a

fair trial than in England."

Are these freedoms and liberties denied in Scotland and Wales?
Or is it simply Northern Ireland that Mr Dunkley is subconsciously excluding?
J.K. Swales,
The Fraser of Allander
Institute for Research
on the Scottish Economy,
University of Strathclyde,
Glasgow

UK training: bureaucrats in the campaign for improvement

From Mr C. Fudge.
Sir, May I add a rider to your leader ("A cautious move on vouchers," March 28) on the new training credit scheme. Training Enterprise Councils (TECs) and the accompanying report which said: "The idea of credits was first put forward by the Confederation of British Industry?"

All power to employers' efforts (with trade unions I hope) but please let me recall that in recent years it was the much made most of the noise about Britain's less-than-commendable international training record, most notably in the 1984 National Economic Development Office (NEDO)/Manpower Services Commission (MSC) international study,

Competence and Competition (and later in The Making of Managers). It was received with less than enthusiasm by employers at the time.

It was this report which pointed to the link between investment in education, training and competitive success, and *inter alia*, to the scope for bringing UK employers more closely into decision making on training, through bodies modelled on the US Private Industry Councils, and to the possibility of individual training accounts, vouchers and credits which might be portable between employers.

These matters were explored in more detail the following year in the report, Challenge to Complacency also commissioned by Geoffrey Holland,

then MSC director, and (Sir) John Cassels, then NEDO director general.
C. Fudge,
Bargain Cottage,
Chart Road,
Farnham, Surrey

From Mr L.R. Bloor.
Sir, I agree with Mr Pratten ("The limits to training," April 3) but feel he might have unwittingly overstated the importance of scale as an alternative competitive weapon.

It is true that, historically at least, US labour productivity has been higher than that in Europe because of longer production runs. This factor is, however, of diminishing importance in the markets of advanced western economies

where standardised goods produced on the basis of long production runs are increasingly supplied from cheap labour countries in the Third World.

The important growth markets are increasingly those for more sophisticated higher value-added products for differentiated niche markets, produced by sophisticated, flexible manufacturing systems. These trends require greater sophistication in process as well as product design thus enhancing the need for education and training while diminishing simple scale economies as an element of future competitive success.

L.R. Bloor,
1 Brickfields Close,
Oakerthorpe Road,
Wirksworth, Derbyshire

Whose technological exports are at work all over the world? (and out of it.)

On January 12th, the crew of the space shuttle Columbia were faced with a little problem. How to get an 11 ton rogue satellite back down to earth.

Luckily they were equipped with the 'Canadarm', designed and built in Ontario by Spar Aerospace for NASA. Mission accomplished.

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A nation divided with no taste for unity

Kieran Cooke forecasts a cool reception in Ulster for the Irish Prime Minister

MR CHARLES Haughey, the Irish Prime Minister, steps into the lion's den today when he visits Belfast in Northern Ireland.

It will be the first visit for more than 20 years by an Irish Prime Minister to Belfast, capital of western Europe's most troubled region.

There have been angry denunciations of the visit from Northern Ireland's Unionist community who see Mr Haughey as "the enemy of Ulster" and his presence as yet another example of Dublin's interference in Northern Ireland's internal affairs. The majority of Unionists favour continued union with mainland Britain.

Unionists say the Irish Prime Minister's visit is particularly insensitive coming after recent controversial Irish judicial decisions not to extradite three men wanted on terrorist-related charges in Northern Ireland, and only 48 hours after the murder of four soldiers in an IRA bombing.

The army and police have been put on full alert in case of trouble.

Irish officials have emphasised the European nature of Mr Haughey's trip. As President of the European Council Mr Haughey will be addressing a meeting of the British Institute of Directors. During the Irish EC presidency he has been careful to keep the Northern Ireland question off the EC agenda.

But both Mr Haughey and Mr Gerry Collins, the Irish Minister for Foreign Affairs, have repeatedly contrasted the momentous changes that have taken place in Europe in recent



Hard-line Protestant leader Ian Paisley outside Belfast's Europa Hotel where he plans to lead a protest demonstration against the Irish Premier's visit today

months with the seeming intractability of events in Northern Ireland.

The Irish Government has been keen to draw parallels between German unity and Irish unity. "As someone from a partitioned country I have a strong basic sentimental attachment to the idea of German reunification," said Mr Haughey last year.

On a recent trip to the US, Mr Collins picked up the

theme: "The question of reunification is important not only for the Germans but also for the Irish."

The parallel is an obvious one but not altogether valid. East Germans mostly want unification with West Germany. A recent poll in Northern Ireland found that only 11 per cent of those interviewed wanted to become part of the Republic of Ireland. Not surprisingly Protestants nearly all

rejected the idea with only 1 per cent opting for integration with the south. But it seems that Northern Ireland's Roman Catholics still remain to be convinced that unity would be a good move. According to the polls, only 26 per cent of the Roman Catholic population in Northern Ireland want to be ruled by Dublin.

The promise of better living conditions and prosperity has been one of the attractions of a united Germany for East Germans. The same is not the case in Ireland.

For the most part, people living in Northern Ireland have a better standard of living than those in the Republic. The British Government has tended over the years to throw money at the problems of Northern Ireland: the British Exchequer spending in the province this year will be nearly £600m (\$9.5bn). Northern Ireland's health service, its education system and its roads are among the best in the UK.

Mr Haughey has described recent economic achievements in the Republic as "a minor economic miracle". But a range of government cutbacks to deal with a national debt of £25bn (\$15.7bn) have brought severe problems in the Republic's health service and education system, while the road network in parts of the country is in a severe state of disrepair.

Unemployment in Northern Ireland, at 14 per cent, is still the highest in the UK. Roman Catholic males are still twice as likely to be without jobs as their Protestant counterparts. But south of the border, unemployment is 18 per cent and emigration is running at its highest level for several years.

There is also the less definable but nonetheless relevant question of attitudes both north and south of the Irish border to the question of unity.

While those in the Irish Republic might have an emotional attachment to the idea of a united Ireland, many seem content to have it remain only a remote possibility. Despite recent attempts to improve cross-border co-operation, there are no signs of a headlong rush to dismantle the border in advance of 1992. The Irish Government still flaunts the EC rule book by imposing penalties on cross-border shoppers.

Last weekend, Mr Haughey said that Anglo-Irish relations would continue to be difficult while the present abnormal situation exists in Northern Ireland. Since the start of the present phase of "The Troubles" in 1969, some 2,792 people have been killed in Northern Ireland. Of those, more than 1,900 were civilians.

The killing has declined in recent years and over the past few months there had been considerably less paramilitary activity and some signs of political progress. But political talks have once again floundered and the Irish Republican Army (IRA) has this week again demonstrated its killing capacity. Extradition has caused yet more problems in Anglo-Irish relations.

As Mr Haughey is rushed in and out of Belfast today in what is likely to be one of the biggest security operations ever mounted in the city, he might reflect that things remain far from normal in Northern Ireland. *Stam Feln conciliation, Page 11*

Haughey expects summit to set up committee on political union

By David Buchan in Brussels

EUROPEAN Community leaders will set up a high-level group to study political union at their Dublin summit later this month, Mr Charles Haughey, the Irish Prime Minister and current EC President, forecast yesterday.

After meeting Mr Wilfried Martens, his Belgian counterpart, he said the most likely outcome of the talks on April 28 would be the creation of another Dooce committee that might pave the way for a second intergovernmental conference (IGC), on political union. The EC is already committed to the opening, in December, of its first IGC, on monetary union.

The original Dooce committee was set up in 1984 under Senator James Dooce, a former Irish Foreign Minister. It called for extended majority voting in the EC and set in train the 1985-86 negotiation of the Single European Act.

The idea for another such grouping has been circulating among federalist-inclined EC leaders, and Mr Haughey said there was "a general mood that

EC central bank governors will appoint a team of experts next month to help prepare the way for economic and monetary union, Mr Karl Otto Pöhl, Bundesbank president, said yesterday. Reuter reports from Basle. Speaking after a BIS monthly meeting, he said the five or six economists would start work on July 1.

Mr Henning Christophersen, Commissioner for Monetary Affairs, attended the meeting. Mr Pöhl said work on preparing statistics for a European central bank was just beginning, and no decisions were likely before the end of this year.

The Community should get on fairly quickly with deepening its integration," he has concluded half his counterparts, including the leaders of West Germany, France and Italy.

The Irish Premier, who will chair the Dublin meeting, said that the high-level group would be composed of personal representatives of EC leaders.

He refused to take for granted opposition from Mrs Margaret Thatcher, whom he will see next week in the course of his pre-summit consultations.

"I would not like to contemplate going ahead without her," he said. But he added: "I've seen her agree to certain conclusions of which she did not approve, for the sake of consensus," and cited her acquiescence last December in the calling of an IGC on monetary union.

The concept of political union is less absolute than monetary union. At this stage, the plan that would be laid before a new Dooce committee would be one that has been drawn up by the Belgian Government, Mr Haughey said.

This calls for stronger powers for the European Parliament and Commission, rather than the straight federalist structure which the Delors plan envisages in the monetary field. It also calls for closer security co-operation, which might create difficulties for neutral Ireland.

Indian PM warns of war over Kashmir

By David Housego in New Delhi and Zafar Meraaj in Kashmir

THE CRISIS in Kashmir deepened yesterday as Muslim extremists publicly killed a hostage in Srinagar, the Indian Government's summer capital, and Mr V.P. Singh, the Prime Minister, told parliament that India should be "psychologically prepared" for war.

Mr Singh issued his strongest warning yet to Pakistan against supporting Muslim militants seeking independence in Kashmir.

Pakistan would have to pay "a very heavy price" for any military adventure against India or for trying to use insurgency as a weapon to achieve territorial gains, he said. "Our message to Pakistan is that you cannot get away with taking Kashmir without a war. They will have to pay a very heavy price and we have the capability to inflict heavy losses."

The growing sense of crisis in New Delhi was exacerbated when Kashmiri militants claimed responsibility for two bombs which exploded in the Indian capital yesterday, injuring nine policemen. It was the first attack by separatists against a police station in the capital.

Mr Singh, who is also Minister for Defence, told parliament

that the Government knew that Pakistan had moved its radar systems to the border and had made operational its airfields on the front.

India and Pakistan have fought two wars over Kashmir since independence from Britain in 1947. India rules two-thirds of the region, Pakistan the remainder.

The Indian Prime Minister was speaking soon after militants from the Jammu and Kashmir Liberation Front (JKLF) killed the Kashmiri manager of the state-owned Hindustan Machine Tools Company. He was one of three hostages they held.

Mr Jagmohan, the Governor of Kashmir, has threatened that a curfew, now in its fifth day, will continue until the other two hostages, including the vice-chancellor of Kashmir University, are released.

Mr Singh said Pakistan's strategy seemed to be to avoid an armed conflict and to continue to fan insurgency with India. If this did not work, he said, Pakistan might opt for a limited intervention. The Indian armed forces were ready to cope with any eventuality, he said, but he also called upon people to be "psychologically prepared" for war.

Cult of Genghis Khan

Continued from Page 1

yesterday suggested that nomads were huddled around radio sets in remote regions, absorbed by the speeches. However, the herdsmen have been more inspired by a sense that Mongolia is now in control of its own destiny - after decades of Soviet manipulation and 200 years of Chinese domination before that.

The most obvious sign of renewed nationalism is the rise of the cult of Genghis Khan. The driver of my hired Russian-built Volga has struck a picture of one of Genghis's sons on the windscreen, and the Heath of Genghis Khan movement, which has risen with dozens of quasi-political groups in recent days, claims 5,000 members and promises of support from all 18 provinces.

The Genghis Khan cult is a subtle issue around the sensitive issue of mass criticism of Soviet control. Foreigners are told that a handy phrase in Mongolian is "I am not a Rus-

sian," and several Soviet citizens have been beaten in recent weeks. A young Mongolian warned that after a few glasses of Mongolian vodka, it's difficult to know who is a Russian.

Mongolians complain that they are \$2.5bn (\$15.7bn) in debt to Moscow and that for that they have received shoddy Soviet equipment and also had to sell their meat at discount prices.

The newly-formed Mongolian Green Party has condemned a Soviet-built thermal power station which belches smoke across an otherwise clear Ulan Bator sky.

Communist party leaders have been urged by Soviet advisers to marry Russians and Sendenbail, who ran the country for 40 years until 1984, has settled into senility in a Moscow apartment with his wife.

Mongolians are developing confidence that the bloody

purges of the past are over. A 70-year-old former soldier, his shabby clothes proudly decorated by medals, showing that he fought the Japanese in 1939, and his eyes virtually closed by cataracts, said that the changes of recent weeks have made him happy. He has been a Communist Party member for 47 years but believes that "new parties are a good thing."

For too long we have listened to only one voice. You have more good ideas in a country if you allow many voices to speak. We need many voices if we want to make Mongolia strong."

For the nomadic herdsmen - who make up about half of the country's two million population - debates on the technicalities of Marxism only have relevance because, for most of this century, they have had to lug around Marxist and Leninist texts as they moved camp four times a year, with the seasons.

The ruling Communist Party began the extraordinary congress with promises to "produce 104 calves from every 100 cows" as part of a more pragmatic reply to the rise of opposition parties. The opposition have promised to put a television set in every yurt and double herdsmen's salaries.

The Mongolian Peoples Revolutionary Party, as the Communist Party is known, now talks of developing a "state-controlled market economy." In between the speeches yesterday, state television ran a game show designed to prove to the masses the need for economic change and, in particular, price reform.

Soviet Union warms to Thatcher vision

By Robert Maufre in Moscow

THE Soviet Union accepts the idea of "a great alliance for democracy from the Atlantic to the Pacific" suggested by Mrs Margaret Thatcher, Britain's Prime Minister, Mr Eduard Shevardnadze, the Soviet Foreign Minister, said yesterday.

Mr Shevardnadze was speaking at a lunch in honour of Mr Douglas Hurd, the British Foreign Secretary, after talks in Moscow on arms control and European security between the two ministers.

Mr Hurd also had a 90-minute meeting with President Mikhail Gorbachev at which he expressed the concern of Britain and its European partners over developments in Lithuania.

"He was extremely forthcoming," Mr Hurd said of his conversation with Mr Gorbachev. "I have had a very clear account of the background to the Soviet Union's action in Lithuania."

President Gorbachev and Mr Shevardnadze are both understood to have assured the Foreign Secretary that Moscow was trying to find a solution through dialogue, although Soviet statements indicate a hardening of Moscow's position.

Mrs Thatcher's proposals were made at an Anglo-German conference in Cambridge, England last month. They con-

sisted of a seven-point plan of action for the summit of the 35-nation Conference on Security and Co-operation in Europe (CSCE) later this week.

Mrs Thatcher proposed that the summit should:

- Strengthen democracy by setting out the conditions to be fulfilled for holding free elections.
- Lay down principles for the respect of the rule of law and human rights.
- Extend political consultation involving the widest possible number of countries.
- Give the CSCE a conciliatory role in disputes.
- Lay down principles for a free market society.
- Solemnly reaffirm the Helsinki Final Act commitments on European borders.
- Sign the agreement on the reduction of conventional forces in Europe, being negotiated in Vienna.

Mr Shevardnadze stressed that he did not agree with Mrs Thatcher's view that the CSCE should not take on a defence role, and that this should continue to be dealt with in the framework of existing alliances. The policy of military blocs would have to be abandoned sooner or later, he said.

Mr Hurd and Mr Shevardnadze also disagreed over whether a unified Germany should belong to Nato.

Judgment day in the Next world

Next is a prime example of everything that went wrong with the retail sector in the late 1980s. Overambition, over-expansion and a lack of attention to costs bore fruit in yesterday's dreadful figures, with more write-offs than a demolition derby. The management is obviously working on the kitchen sink principle of getting all the bad news out of the way in one go. But even so the provisions shed new light on the company's old problems - with investments being written off which analysts did not even know had existed.

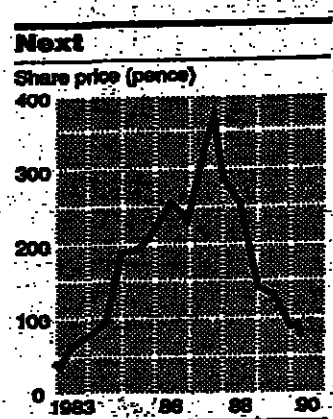
It is still far from certain that Next can become a recovery stock. So far this year, the group's retail sales are down 3 per cent, on space down 4 per cent. Cost pressures continue to be intense - rent increases are around 20 per cent - and the group has had problems with some of its clothing ranges. And it is possible that the proliferation of outlets, in all their different forms, may have damaged the brand name irrevocably. Meanwhile, the agency mail order business is in terminal decline and it will be a while before the growth of the Next directory and the other direct mail businesses compensate for it.

The retailing business should be trading profitably after rationalisation and presumably the write-offs have been sufficiently drastic to allow some room on the upside for profits this year. But the real question is whether the company can hold the dividend - if so, the shares are yielding a prospective 8.6 per cent at last night's 73p. That may provide some support but the best hope for a recovery is a bid, with Sears, which may want to integrate Grattan with Freemans, the current market favourite.

3iBJ

The history of joint ventures between Western financial institutions and their Japanese counterparts has not been a particularly happy one. Either the unions fail because of the obvious culture clashes or the Japanese partner picks up the tricks of the trade quickly and soon prefers to go it alone. That said, the partnership between 3i, Britain's biggest venture capitalist, and IBI, probably the best connected of all the Japanese banks, is an interesting move.

Although the Japanese economy is four times as big as the UK's, its venture capital business is less than a quarter the size. If there ever was such a



thing as an equity gap in the UK, then it is far more pronounced in Japan. There are thousands of family businesses, for example, where the founders are close to retirement and have no obvious successors. There has already been a surge of foreign interest in stimulating an active domestic takeover market. But the provision of venture capital is an equally attractive solution, especially since Japanese equity capital injections still seem to be confined to the need for strategic alliances or pre-flotation financing. If 3i can make the partnership work, it stands to collect a bunch of investments which will be the envy of any foreign investor specialising in small Japanese stocks.

RMC

RMC is by nature a candid company. Its despatches from the front-line of the UK building materials market, delivered yesterday with its annual results, deserved to be taken very seriously. RMC's news of a 7 per cent increase in the first quarter in production of ready-mix concrete, and an even greater increase in 1990's slump in demand is considerably sharper than most commentators expected six months ago. In roadstone, volumes are holding up, but it is an open question whether the industry's spiralling costs will allow them to be bigger to customers.

So this year will sort out adults from children in the building materials sector. It is less clear whether investors have already fully digested this. Including yesterday's 25p fall to 615p, RMC's shares have dropped by an eighth since January 1; yet there may be scope for a rise. For the UK's building materials sector generally, if the market takes fright at what Tarmac

reports on April 24, earnings per share rose 17 per cent at 68.5p in 1989, but will likely fall in 1990. Trading results from its buoyant West German ready-mix business should make up for the drop in the UK, where operating profits fell in 1989's second half, for the first time for many years. The snag is that high German taxes, and RMC's minority shareholders there, will keep some of the benefits out of its earnings line. In the meantime, it is a telling comment about continental share prices that in spite of its large German exposure, RMC is trading on 9.2 times 1990 earnings, while Germany's Heidelberg Zement is on a p/e of about 26.

TVS

Many British companies have made disastrous acquisitions in the US, but TVS's troubles with MTM are worse than most. It paid £190m for the US production company in 1986; so far, MTM's net contribution is a loss of \$5.3m and at best it is expected to break even this year. The idea of selling half the company has now been shelved. But MTM's latest revival, the Galloping Gourmet, will have to turn pretty fast to produce a substantial increase in profits until the current networked production work their way through the cycle. Just to add insult to TVS's injuries, the outlook is bleak for advertising income in the UK and the company is the market's favourite to lose its franchise in the forthcoming round. The shares rose 4p yesterday merely though relief that the company paid a final dividend; it is hard to see them rising much further.

CS/Bank Leu

The urge to merge among Europe's smaller banks is no secret. Economies of scale and increased competition resulting from the steady dismantling of Europe's financial boundaries has left many banks, especially from the smaller countries, feeling that they have to be bigger to survive. Nevertheless, Credit Suisse's bid to gobble up Bank Leu, one of its smaller competitors, is rather puzzling. Given the well publicised problems of its US affiliate, which has damaged its own rating, it is hard to see how CS can avoid diluting its own shareholders given that Bank Leu is trading at 15 times earnings and its recovery prospects are patchy.

ADVERTISEMENT

SONAR £20m 2050 contract

Ferranti Computer Systems has been awarded a £20m contract for the production of a third batch of the Royal Navy's Type 2050 surface ship sonar. This means that orders for a total of twenty-seven 2050 systems have been placed with the company. Sonar 2050, a high performance active and passive sonar system, has been developed by Ferranti International. It is being fitted to the Royal Navy's latest Type 23 Frigate and is also being fitted to Type 22s and some Type 42 destroyers to equip them for anti-submarine operations. The first contract for seven Sonar Type 2050 systems was awarded in August 1984 with the system being sea-trialled in mid 1986, six months ahead of schedule. The second award for ten more systems followed in November 1988. The Type 2050 Sonar is the largest single current sonar programme in the UK. This system, together with recently awarded contracts for the Sonar 2075 for Upholder submarines and studies for a next generation towed array, makes Ferranti Computer Systems the dominant British contractor in this field.

WATER Severn Trent contract

In the face of strong competition, Ferranti International Electronics (FIE) has won a substantial contract as part of a major investment programme being undertaken by Severn Trent Water. The programme is for the installation of a new Plant Monitoring and Control System (PMCS) for water supply and sewage treatment operations throughout the company's Southern Area. The system will be based on the Ferranti MARK 3 family of microcomputers and will be linked to the company's existing VAX Master 11 Supervisory Severn Trent Water network (STWNET) system. Developed in conjunction with FIE's software subcontractor, Science Systems, the PMCS will enable Severn Trent to sustain high levels of service to its customers and will enable them to meet their long-term operational needs. This state-of-the-art technology will enable Severn Trent to sustain high levels of service to its customers and will enable them to meet their long-term operational needs.

FERRANTI INTERNATIONAL

WORLD WEATHER

Area	Temp	Wind	Cloud	Area	Temp	Wind	Cloud
Algeria	18	10	10	Madrid	15	10	10
Amsterdam	10	10	10	Moscow	10	10	10
Antwerp	10	10	10	Munich	10	10	10
Athens	18	10	10	Nairobi	10	10	10
Bombay	28	10	10	Paris	10	10	10
Buenos Aires	18	10	10	Rome	10	10	10
Calcutta	28	10	10	Sofia	10	10	10
Cairo	28	10	10	Stockholm	10	10	10
Chennai	28	10	10	Taipei	10	10	10
Columbo	28	10	10	Tokyo	10	10	10
Dakar	28	10	10	Ulan Bator	10	10	10
Dhaka	28	10	10	Warsaw	10	10	10
Hanoi	28	10	10	Winnipeg	10	10	10
Harbin	10	10	10	Zurich	10	10	10
Heidelberg	10	10	10				
Hong Kong	28	10	10				
Kobe	10	10	10				
London	10	10	10				
Los Angeles	10	10	10				
Lyons	10	10	10				
Manila	28	10	10				
Medan	28	10	10				
Meppen	10	10	10				
Moscow	10	10	10				
Mumbai	28	10	10				
Nairobi	10	10	10				
Paris	10	10	10				
Rangoon	28	10	10				
Rome	10	10	10				
Sofia	10	10	10				
Stockholm	10	10	10				
Taipei	10	10	10				
Tokyo	10	10	10				
Ulan Bator	10	10	10				
Warsaw	10	10	10				
Winnipeg	10	10	10				
Zurich	10	10	10				

INTERNATIONAL COMPANIES AND FINANCE

Acec-Union
Miniére up
sharply to
BFR11.8bnBy Tim Dickson
in Brussels

ACEC-UNION Minière, the Belgian non-ferrous metals business which is almost 90 per cent owned by Société Générale de Belgique, reported yesterday that its trading profits jumped from BFR4.6bn (\$1.14bn) to BFR11.8bn in 1989.

The company, which was brought more firmly under the control of La Générale after a major reshuffle of assets last year, cited three main factors for the improved performance. These were the high capacity utilisation in its factories (above 90 per cent), increases in the average price of metals and the impact of rationalisation measures.

Exceptional profits amounted to BFR7.12bn, reflecting the capital gains earned from the sale of property assets, some of which no longer fitted into the strategy of Acec-Union Minière.

Net consolidated profits of the company were put at BFR19.87bn for 1989 (against BFR17.27bn in 1988), a figure which is arrived at thanks to a tax credit of around BFR500m.

This came about partly from a change in the Belgian tax laws last year, and partly from the significant tax losses built up by Acec, the once-proud zinc producer, and electronics business which was dismantled ahead of the merger with Union Minière.

No forecast for Acec-Union Minière was given for 1990 but the company points out the zinc businesses are unlikely to enjoy a repeat of the high zinc prices last year.

It plans a total net dividend for 1989 of BFR168 per share for shareholders with full rights for the whole period.

Solvay, the Belgian chemical concern, and Connecticut-based Dexter will form an equally-owned US joint venture for the development, manufacture, and sale of polypropylene compounds used mainly in the automobile industry, Reuter reports.

Solvay said certain facilities owned by Dexter in the US, and a new plant near Detroit to supply the automotive industry, would initially form the nucleus of the venture.

Buoyant Dresdner Bank
plans E German growth

By Andrew Fisher in Frankfurt

DRESDNER Bank, the second largest bank in West Germany, yesterday announced a 17 per cent rise to DM1.9bn (\$1.1bn) in group partial operating profits for 1989 - these do not include profits on own-account trading - and said it planned to open 35 branches in East Germany when the legal go-ahead had been obtained.

Mr Wolfgang Röller, the chief executive, expected official approval to be given very soon for foreign banking business in East Germany. Emphasising the bank's keenness to start full banking business there as soon as possible, he said activities in East Germany now had priority.

"Before the Second World War, the main part of our activities lay in what is now East Germany," he said. Thus it lost more of its business as a result of the war than most of its competitors which were more strongly established in the western part of the country. Dresdner's ambitions in East Germany represented a



Wolfgang Röller, keen to return to the bank's roots

policy of "back to the roots," he said. Initially, the move into East Germany would cost around DM100m. Once the first 35 premises had been opened the size of the network would be doubled, Mr Röller said.

The bank intended to offer the full range of its banking services to both private and industrial customers. Before the war, the bank had 182 branches in the area that now forms East Germany.

Once countries like Hungary, Poland and Czechoslovakia followed East Germany's example and adopted the free market economy, Dresdner Bank would be present there in the same way it was active in the EC internal market.

Mr Röller stressed that "the gaze towards eastern Europe should not distort the view of Europe as a whole."

Commenting on the bank's financial performance, he said "our expectation of goods results was more than fulfilled." This year had got off to "an excellent start," with a rise of 8 per cent in partial operating profits in the first two months.

Full operating profits, which were some 20 per cent higher in 1989, rose at a faster rate than the partial result.

AEG arm
to become
separate
company

By Andrew Fisher

AEG, the West German electrical and electronics company, is changing its domestic appliances division into a separate shareholding company to enable it to react more quickly and flexibly to developments in the highly competitive world market for white goods.

Mr Heinz Dürr, chief executive of AEG and a board member of Daimler-Benz, its parent group, stressed that the move did not mean the household goods operation would be sold. The brand name was important for the company's image and the division was profitable.

Industry analysts said AEG's decision was mainly aimed at enabling it to enter quickly into partnerships or joint ventures with other white goods companies, if these arose. Among its main competitors are Bosch-Siemens, in which two leading West German concerns are linked, and Whirlpool-Philips, the US-Dutch operation.

AEG, which makes a wide range of goods at both the light and heavy ends of the electrical and electronics industries, said no alliances were currently planned in the household sector, but that the company would keep financial management control in such cases.

Since its rescue from near collapse in the early 1980s, the sale of the profitable household goods division has often been mooted as a possible solution for AEG's shaky finances. But Mr Dürr has consistently stated that AEG, now back in profit, had no intention of parting with this activity, which employs 12,000 people.

Last year, AEG sold just over DM2.2bn (\$1.3bn) worth of household goods, including washing machines, cookers, and refrigerators, a rise of 9 per cent on 1988. Nearly half of this went for export, with strong performances in Spain, The Netherlands and Scandinavia. Power tools accounted for a further DM400m, also a 9 per cent rise. For 1990, AEG expects white goods and power tools to achieve turnover of some DM3bn.

Dassault rises by
36% in spite of
sales slowdown

By William Dawkins in Paris

AVIONS Marcel Dassault-Breguet Aviation, France's famous maker of jet fighters, yesterday unveiled a 36 per cent rise in profits for last year, and announced that it is to shorten its name.

Consolidated net profits of the group, to change its name to Dassault Aviation, rose to FF682.5m (\$102.55m), from FF427.7m in 1988.

Group sales, however, rose by 4 per cent from FF18.5bn in 1988 to FF19.5bn last year, providing further evidence of the slowdown in French defence procurement, on which Dassault is heavily dependent.

The name change will be formalised at the annual shareholders' meeting on June 19.

The parent company's net earnings nearly doubled from FF146m to FF295m, which Dassault attributes to the first fruits of its efforts to improve productivity. Last month's closure of its factory at Colombiers in Toulouse will continue to

bring productivity gains to this year's results.

Parent company sales were roughly unchanged at FF17.4bn. Exports accounted for 63 per cent of the parent company's turnover, while military sales represented 78 per cent of the total, with the remaining 22 per cent devoted to civil aircraft and space equipment sales.

Mr Serge Dassault, the chairman, said the main points of 1989 were the French Government's decision to continue the development of the Rafale jet fighter (crucial to the group's future), good sales of the Falcon range of business jets and the expansion of the group's space activities.

Dassault received FF16.5bn of orders last year, of which 28 per cent was in civil aircraft and space equipment, with the remainder in military sales, still the dominant part of the group's business. This compares with the FF15.9bn of orders received in 1988.

Karstadt in talks on pact
with Centrum-Warenhaus

KARSTADT, West Germany's largest retailer, is interested in entering a co-operation agreement with a large East German chain of retail stores, the chairman of the company confirmed, AP-DI reports.

In contrast to published reports, it has not yet completed an agreement, Mr Walter Deuss said in a telephone interview. He said a report that Karstadt was going to enter a co-operation agreement with 12 of the 14 stores in the East German Centrum-Warenhaus group was "premature."

"We've been in talks for the last several days," Mr Deuss said. "We're still engaged in talks. We're interested in co-operation, but how that will be constructed and in what form it will be, still must be cleared up."

The article in a West German magazine had said that Karstadt was going to have a

co-operation agreement with 12 of the 14 Centrum stores, but that rival Hertie of Frankfurt was going to buy a stake in Centrum's two Berlin stores.

But Mr Deuss said Karstadt was interested in a co-operation agreement with all 14 Centrum stores, including the two large outlets in Berlin. Centrum is based in Leipzig.

More than a third of Centrum's 1989 sales of 3.8bn East German Marks derived from two stores in Berlin. The Alexanderplatz shop in the heart of East Berlin had sales of 550m marks and the store near the main train station had sales of 650m marks.

Officials for Hertie could not be reached for comment. Hertie was previously based in Berlin and has its flagship store there.

Analysts said Karstadt, if successful, could gain a considerable lead on its competition.

NEWS IN BRIEF

Siemens has
go-ahead in
Nixdorf bid

THE Federal Cartel Office has approved without any conditions Siemens's application to acquire 51 per cent of Nixdorf Computer, Agencies report.

Siemens said last month it was confident the cartel office would approve the takeover.

The group said it was too early to say when it would raise its stake in Nixdorf, as accountants now had to determine the value of Nixdorf.

After the evaluation, Siemens would decide how large a stake it and Nixdorf would have in Siemens-Nixdorf Informationssysteme, the new joint company.

Philips had a rise in sales in first quarter of 1990 in line with company hopes, Mr Cor van der Klugt, chairman, told the annual shareholders' meeting. He gave no details.

He added that the restructuring effort that Philips embarked on three years ago had largely achieved the results desired and the company would now enter a consolidation phase.

Volvo, the Swedish vehicle group, said it would propose Raymond Lévy, chief executive officer of Renault, the French car manufacturer, as a new board member.

Volvo, which announced a cross-shareholding pact with Renault in February, said it would also propose Mr Christer Zetterberg, its new managing director, as a board member at the group's annual general meeting on April 25 in Gothenburg.

Mr Gunnar L. Johansson, Volvo's former managing director, has announced his resignation from the board.

Sony said it would invest FF300m (\$52.8m) in the construction of a new plant in south-west France to manufacture components for its European factories.

The plant, in Bayonne, is due to start producing optical pick-up devices for compact disc players and printed circuit boards in June 1991.

The group already produces hi-fi and video products at three plants in France, and a new magnetic tape plant is under construction near Bayonne.

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April 11, 1990

Westinghouse Air Brake Company

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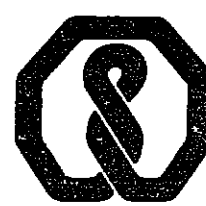
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American Standard Inc.

The undersigned acted as financial advisor to Investment AB Cardo and served as placement
agent for the financing of Westinghouse Air Brake Company in this transaction.

Dillon, Read & Co. Inc.

April 11, 1990

البنك السعودي الأمريكي
Saudi American Bank

QUARTERLY RESULTS

UNAUDITED AS OF MARCH 31, 1990

	March 31 1990 SR '000	March 31 1989 SR '000
Assets		
Cash and due from Banks	13,454,502	11,983,393
Loans and Advances (net)	6,259,066	5,960,905
Other Assets	6,593,500	5,568,143
Total Assets	26,307,068	23,512,441
Liabilities and Shareholders' Funds		
Customer Deposits	20,651,686	17,970,465
Due to Banks and other Liabilities	3,603,716	3,817,290
Shareholders' Funds	2,051,666	1,724,686
Total Liabilities and Shareholders' Funds	26,307,068	23,512,441
Contra Accounts	23,407,392	26,713,480
Statement of Earnings		
Operating Revenue	228,525	204,190
Less: Operating Expenses	(87,606)	(85,732)
Total Operating Income	140,919	118,458
Transfer to Reserves	(19,006)	(27,827)
Net Income for the quarter ended March 31, 1990.	121,913	90,631

For further information, please contact:

Head office: The Corporate Secretary, Saudi American Bank, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia. Telephone (01) 477 4770.

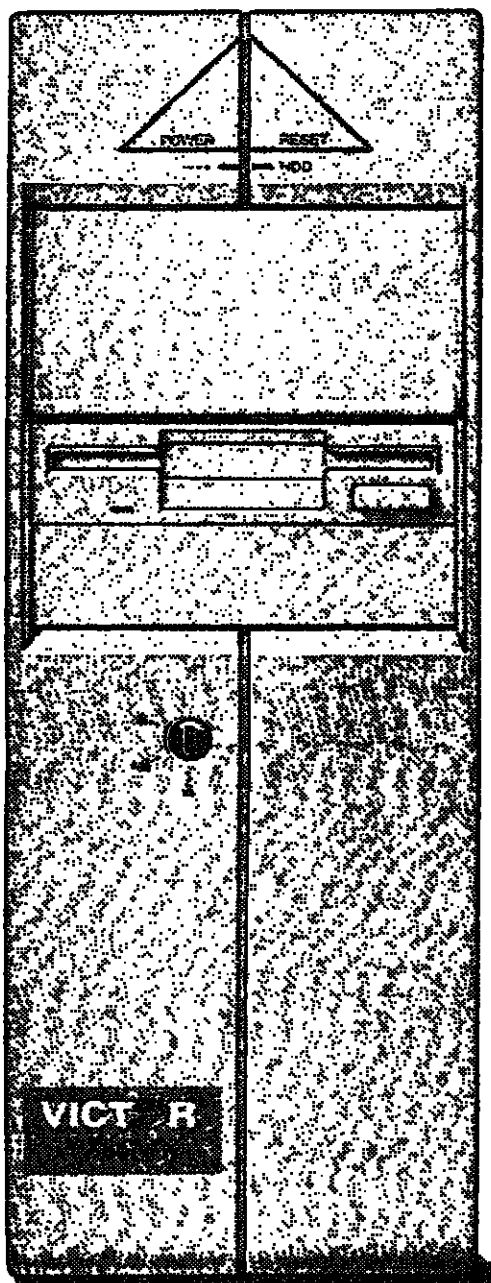
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INTERNATIONAL COMPANIES AND FINANCE

Ring up a record \$3bn sell-off

Canute James on the sale of the Puerto Rico Telephone Company

Although it carries a relatively high price tag of \$3bn, bidders are already lining up to purchase the Puerto Rico Telephone Company, which the island's Government is selling in what will be the largest privatisation in US history.

According to Puerto Rican officials, the list of about 20 interested purchasers is headed by BellSouth Corporation, GTE and the Spanish Telephone Company.

The sale, at the price the island's administration is asking, would be a new US record, higher than the \$1.65bn paid in the divestment of Conrail in 1987.

The Government of the US Caribbean possession should have little difficulty in concluding arrangements for the sale. There is widespread support for the divestment from the island's business sector, which believes a privately owned telephone company will provide better service.

There is also support for the Government from some opposition legislators on the island. The planned sale of the company by the administration of Mr Rafael Hernandez Colón, Puerto Rico's governor, is not motivated by new thinking on the role of the Government in the economy. It was Mr Hernandez Colón, in an earlier term, who was behind the Government's acquisition of the telephone company in 1974 from ITT for \$165m.

The governor says the company is being divested because his administration needs the money. He said \$2bn from the divestment will be used for two trust funds, the proceeds from which will be used to finance infrastructural development and public education on the island of 3.3m people.

The sale of the telephone company is being handled by the Government Development Bank of Puerto Rico, with advice from Goldman Sachs, a New York investment firm. Mr Ramon Cantero Frau, president of the bank, said the \$3bn which is being asked will provide the funds for the trusts, while covering the telephone company's outstanding debts of \$950m, brokers' charges and legal fees.

The price being asked is based on the potential of the company. It is the 14th largest telephone company in the US,

according to Mr Fabio Garcia Matienzo, the firm's president. He said the company has earned an average of \$73.5m annually for the past five years. Its assets at the end of December were put at \$1.57bn, while operating revenues last year were \$391.6m.

Assessments of the company's real value are based on several factors. "We cannot visualise the proposed sale in terms of our island market alone, because we are part of an active world industry," Mr Garcia said. "Puerto Rico could become a telecommunications hub for the Caribbean and Latin

target of \$2bn cannot be realised from the sale, the company will remain government property."

The company's potential value is aided by the fact that it has a monopoly on telephone services on the island. There is also room for a significant expansion in basic services. Puerto Rico's telephone system has 28 access lines per 100 people, against a US average of 41 lines.

The company's value is enhanced by the profitable operations of two subsidiaries which handle long-distance facilities and cellular phones. Although the business com-

tors approve the divestment, "We cannot see any way that the telephone company can be sold that will not adversely affect the working class and the general public," said Mr Federico Torres Montalvo, a representative of the Labour Organisations Committee. "We will fight at every court possible."

Reacting to the Government's undertaking that the purchasers of the telephone company will guarantee job security for the first three years, Mr Torres said: "Add all labour guarantees you want in a privatisation bill, it still means nothing. Federal courts will never uphold these guarantees under federal labour law."

Clearly anticipating that these objections will not delay the divestment, the island's administration is planning to table legislation shortly to create a regulatory agency to govern the operations of telephone and telecommunications services.

Mr Cantero Frau said that once Puerto Rican legislators approve the sale a buyer will be selected from the list of interested companies, in the hope of concluding the transaction some time next year, after approval for the transfer of operating permits is given by the Federal Communications Commission.

The Government has already closed the door on one method, which potential purchasers may have considered using to finance the divestment. They will be barred from using low-interest loans from deposits made in Puerto Rican banks by companies operating in the island, and which benefit from tax exemptions granted under the US Revenue Code.

"Allowing a buyer to use these funds would be like shooting ourselves in the foot," contended Mr Cantero Frau. "We have about \$8m in these funds on the island. If a buyer borrowed \$20m or so, it would strain liquidity and send interest rates through the roof."

The Government also decided at the outset that it would be better to sell the telephone company to a private firm rather than through a share issue, arguing that the return was likely to be much less than the \$3bn target.

San Juan, capital of the US Caribbean territory of Puerto Rico

America."

Mr Cantero Frau argued that the market value of the company was considerably higher than its book value. He contended that similar telephone companies in other countries have been sold for between two and five times their book value.

Government officials have said, however, that if the net

community is behind the Government's plan to divest the company, potential purchasers may be concerned that the island's trade unions have objected strongly. Sixty unions, representing about 100,000 workers, called a general strike late last month to protest against the divestment. The unions are threatening to sue the Government if legisla-

tion is passed.

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San Juan, capital of the US Caribbean territory of Puerto Rico

America."

Finnish banking on the verge of dramatic shake-up

Enrique Tessieri looks at growing pressures to be more profitable

Like their counterparts in Denmark, Norway and Sweden, Finnish banks are on the verge of experiencing one of the big upheavals in their history. The shake-up would mean closing down hundreds of branch offices and laying off thousands of people.

Mr Björn Wahlroos, a director of Union Bank of Finland (UBF), one of Finland's two largest banks, said banks would be up for sale in the next two to three years.

As in the other Scandinavian countries the biggest catalyst of change is the European Community's plans to ensure the free movement of capital by 1993.

The protected days of Finnish banking are coming to an abrupt end, forcing banks to become more profitable and cost-conscious in the face of stiffening competition.

The job of slashing overheads will be difficult considering how over-banked Finland is. At the end of 1989, there were 550 commercial, savings and co-operative banks with a total of 3,499 branch offices to serve a small population of 4.5m.

To add to the problems, credit losses incurred by all Finnish banks surged from FM900m (\$225m) in 1985 to FM1.65bn in 1989. High interest rates which rose to 16 per cent last autumn cost commercial banks alone FM34bn, or 48 per cent higher than in 1986.

Another factor that has put strains on banks were new cash-reserve requirements by the Bank of Finland to halt excessive lending. These requirements rose from FM20bn to FM25.5bn last year.

Mr Jaakko Lassila, president of Kansallis-Osake-Pankki (KOP), one of Finland's two largest banks, does not exclude the possibility of a dramatic shake-up.

He stressed, however, that there will not be a rash of bank mergers like in the other Nordic countries since the banking sector is dominated by two banks: KOP and UBF.

Since Postipankki's 1989 financial result was one of the sector's worst, a high-ranking bank official felt that Postipankki may be one of the first large commercial banks to succumb to the shake-up, even if there is at present a law which forbids the bank from being merged.

"Our biggest challenge is how to stay profitable and competitive in the face of increasing competition," said Mr Seppo Lindholm, president of Postipankki. "By Finnish standards we are a big bank with a 15 per cent slice of the market, but a small bank when compared to European standards."

LEGAL NOTICES

REQUEST FOR PROPOSALS

THE PORT AUTHORITY OF NY & NJ

DEVELOPMENT OF RESIDENTIAL BUILDINGS ON TWO PARCELS IN HOBOKEN, NEW JERSEY THE WATERFRONT AT HOBOKEN PARCELS 7 & 8

THE WATERFRONT AT HOBOKEN is a joint project of The Port Authority of New York and New Jersey and The City of Hoboken to redevelop a portion of the City's southern waterfront for mixed use purposes. The site is owned by the City and leased to the Port Authority which is seeking to enter into long term ground subleases with developers for individual parcels within the site. All construction will be consistent with The City of Hoboken's approved Redevelopment Plan and Design Guidelines.

The Port Authority is pleased to make the first Request for Proposals (RFP) for the residential development of parcels 7 & 8 at the northern end of the development site now known as THE WATERFRONT AT HOBOKEN. The parcels overlook the Hudson River and the Manhattan skyline. Parcels 7 & 8 are bounded by the existing River Street on the West, the future Marina Drive on the East, Fourth Street to the North and Third Street to the South. Parcels 7 & 8 consist of approximately 45,580 square feet and 43,000 square feet of open area respectively.

Developers are invited to submit proposals for the development of market rate residential buildings containing cooperative, condominium or horizontal property regime units on one or both sites. Each building will contain approximately 250,000 s.f. of gross floor area, exclusive of parking.

The RFP is available by mail or in person from the Port Authority. Proposals must be submitted by 3:00 p.m., August 9, 1990. All communications regarding the RFP should be directed to:

THE WATERFRONT AT HOBOKEN
Attention: Lora Mayer
The Port Authority of New York & New Jersey
Five Marine View Plaza - Room 112
Hoboken, New Jersey 07030
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FT 11/90

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INTERNATIONAL COMPANIES AND FINANCE

Two leading Mitsubishi companies to merge

By Stefan Wagstyl in Tokyo

MITSUBISHI METAL, Japan's largest steel producer, and Mitsubishi Mining, a leading building materials producer, announced plans to combine their activities. The move is one of Japan's biggest post-war industrial mergers.

The deal is a sign of the willingness of Japanese companies, encouraged by the Ministry of International Trade and Industry, to consolidate in mature industries.

Both non-ferrous metal and cement producers are likely to face increasing competition from imports from Asian countries in the coming years. Cement companies are particularly concerned about competition from South Korea, where producers are expanding out-

put rapidly. The new group, provisionally named Mitsubishi Metal Cement, will have annual sales of ¥900bn (\$5.7bn), pre-tax profits of ¥40bn, assets of ¥800bn and 9,000 employees. The companies' stock will be merged in the ratio of nine Mitsubishi Metal shares for every 10 Mitsubishi Mining.

Mr. Takeshi Nagano, president of Mitsubishi Metal, will be chairman of the new company. The president will be Mr. Masaya Fujimura, president of Mitsubishi Mining. It will start operating on December 1.

The merger is the result of two years of discussions between the groups, which have been reviewing their strategies after separately closing their original businesses in

metal and coal mining in Japan.

Mitsubishi Metal was one of Japan's largest producers of non-ferrous metal ores and Mitsubishi Mining was the country's largest coal mining company, with extensive operations in Hokkaido, in northern Japan.

The closures were spread over a decade to alleviate the disruption caused to mining communities. This was in line with Japanese government policy and business practice. The closure of Mitsubishi Mining's last coal mine this winter paved the way for yesterday's announcement.

Relations between the two groups are close because of a common history and common membership of the Mitsubishi

family, the largest of Japan's industrial groupings. Until 1950 the two companies were divisions of Mitsubishi Mining. The companies said they had the same assessment of the future challenges they faced.

They said they could increase their financial strength by combining the volatile profits to be made from non-ferrous metals with the more stable returns to be earned from cement. They also intend to co-operate in new product development - matching Mitsubishi Metal's knowledge of metals, including metallurgical powders, with Mitsubishi Mining's skills in ceramics.

Both companies have been actively diversifying in recent years, including supplying new

materials to the electronics industry. Mitsubishi Metal has some 12 per cent of its turnover in new materials, 10 per cent in aluminium cans, and 21 per cent in processed products, including nuclear fuel. Its core business is the smelting of copper and other metals from imported ores.

Sales in the year to March 1989 were ¥718.5bn. Pre-tax profits were ¥20.1bn.

Mitsubishi Mining and Cement diversified into cement from coal mining. Cement now accounts for about half its sales, with the rest divided between distributing petroleum products, making building materials, and new products. Its sales in the year to March 1989 were ¥188bn and pre-tax profits ¥14.6bn.

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NOTICE TO THE SHAREHOLDERS

Following publications of 3rd and 12th January 1990 and the Extraordinary General Meeting of 22nd January 1990 of the shareholders when it was resolved to apply for a delisting of the company's shares from the Luxembourg Stock Exchange, notice is hereby given to shareholders that delisting will become effective at close of business on Friday 27th April. During a period of one year thereafter shareholders wishing to sell their shares may, but not must, refer to the company for assistance in finding a purchaser.

The Board of Directors.

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BRITISH NUCLEAR FORUM.

FT/C114

Pickens appeals to Japan's fair trade officials

BOONE CO, an investment company owned by Mr T. Boone Pickens, the US investor, yesterday called on Japan's Fair Trade Commission to investigate possible violations of the country's anti-monopoly laws by domestic automakers and parts suppliers.

Mr Yoshiro Sekine, a commission official, said the commission would study Boone's claims. Mr Pickens has been seeking greater participation in the management of Koito Manufacturing, a Japanese auto parts maker, after becoming its largest single shareholder in March 1989.

Mr Sekine said Boone claimed that Japan's 11 automakers put unfair pressure on parts suppliers to lower the prices of their products. Boone also claimed that the automakers' close relations with parts makers limit free competition among the parts suppliers and hindered entry by outside companies, especially foreign makers, into the Japanese market. Koito's second largest shareholder is Toyota Motor.

Nissan replaces president of troubled Fuji Heavy Industries

By Stefan Wagstyl

NISSAN MOTOR, the Japanese automotive group, has dispatched a senior executive to take charge of Fuji Heavy Industries, its Subaru car making affiliate which has run into financial difficulties.

Mr Isamu Kawai, president of Nissan Diesel Motor, another Nissan group member, yesterday took over as president of Fuji Heavy from Mr. Toshihiro Tajima, who insisted as recently as last month that he would stay in charge of Fuji Heavy and lead its recovery.

The shake-up indicates that the problems at Fuji Heavy may be more serious than previously thought. The company indicated last year it would make an operating loss of some ¥3bn (\$18m) for the year which ended in March. Last month it was forced to raise the estimated loss to ¥23bn.

Fuji revealed in January it was seeking support from Nissan Motor and from Industrial Bank of Japan (IBJ), its main bank. But Mr Tajima said he

wanted co-operation without undermining Fuji's independence. Mr Tajima will now move to the largely honorary position of chairman.

The moves highlight a need for restructuring and co-operation among Japanese vehicle makers. The 11 companies making cars and trucks have fought off attempts by the Ministry of International Trade and Industry to encourage outright mergers, while at the same time resorting more to co-operation agreements.

Like some other small manufacturers, Fuji Heavy has struggled to keep pace with large manufacturers. It has tried to operate in various niche markets - including minicars with engines of up to 550cc and four-wheel drive cars.

A boom in minicar sales in the mid-1980s ended abruptly last year. Fuji Heavy has suffered particularly badly because it is number three in the market behind Daihatsu

and Suzuki Motor. Exports to the US of Subaru brand four-wheel drive vehicles and of the Legacy, a sporty compact, have also declined.

Fuji Heavy's operating profits have fallen from ¥11.2bn in the year to March 1987 to ¥2.7bn last year on sales of ¥663bn. This drop is not apparent at the pre-tax level, where profits have been bolstered by income from investments. Pre-tax profits last year were ¥13.9bn.

Nissan has a 4.5 per cent stake in Fuji Heavy and IBJ, the main banker to the whole Nissan group, has 4.2 per cent. Nissan Motor was one of the biggest components of the pre-war Nissan zaibatsu, or industrial grouping, which also included forerunners of Fuji Heavy. The zaibatsu was broken up after the war, but its constituent companies have stayed in touch.

Nissan said it would co-operate fully with Fuji Heavy if it was asked for help.

Mazda confirms rental venture with Hertz

MAZDA MOTOR, a big Japanese automaker, confirmed yesterday that it is to establish a car rental and leasing venture in Japan with Hertz of the US, the world leader in the business, Kyodo reports from Tokyo.

Mazda will put up 90 per cent of the capital for the new company, which will be named Hertz Japan, while Hertz will furnish the rest, Mazda officials said.

Mazda then plans to transfer 40 per cent of its capital to other companies, including non-life insurers and travel agencies.

Mazda, which plans to begin operations in August, hopes to have 250 outlets and 10,000 vehicles by the end of 1993, the officials said. The new venture will operate as a nationwide franchise that will use Hertz's international network and allow its customers to make reservations and payments from its domestic outlets.

The venture's fleet will include Mazda cars and other Japanese and foreign makes.

Rural sales aid Hindustan Lever's 21% profit surge

By R. C. Murthy in Bombay

SALES AND profits of Hindustan Lever, India's third largest private sector company in terms of turnover, rose strongly last year on the back of a breakthrough achieved in rural marketing.

Profits before tax rose 21.4 per cent to Rs1.02bn (\$60m) on a 22 per cent growth in sales to Rs13.23bn.

Profits after tax were Rs590m against Rs510m. Rural sales of Hindustan Lever, a subsidiary of the Anglo-Dutch Unilever, grew more swiftly than the more mature urban markets, a trend which the company expects to accelerate further this year because of the emphasis in the Indian Government's budget on rural development.

Dr A. S. Ganguly, chairman, says Hindustan Lever has

developed a cost-effective marketing network for 34,000 villages, in addition to the 3,500 urban centres it already covers.

Dr Ganguly, who has been appointed Unilever director for research, will be succeeded by Mr S. M. Datta, at present vice chairman, after the annual meeting on May 18.

Hindustan Lever makes soaps, detergents and personal products. In-house research has led to the use of unconventional raw materials. In recognition of this, Unilever was allowed to hold 51 per cent of the equity against the usual foreign ownership ceiling of 40 per cent for consumer companies.

The annual dividend is being lifted to 35 per cent from 32 per cent.

Hopewell profit up 2 per cent to HK\$298m

HOPWELL HOLDINGS, a Hong Kong property and construction group, advanced after-tax profit by 2 per cent to HK\$298m (US\$38.2m) in the half-year to December, AP-DJ reports from Hong Kong.

Turnover increased 9 per cent to HK\$272m. The interim dividend is 11 cents a share, up from 10 cents.

Mr James Wu, chairman, said investment properties provided an increased flow of rental income. Income from the company's hotel in Canton held at the previous year's level, despite a decline in tourism to China, and was expected to show reasonable growth.

Financing of the Canton-Shenzhen-Zhuhai highway, which ran into trouble after the shootings in Tiananmen Square, was being actively negotiated.

Solid achievements again in 1989.

Continental, the world's 4th largest tiremaker and a leading supplier of rubber products, turned in a stronger performance in 1989 than had been forecast a year earlier. Despite an international decline in tire prices and a two-month work stoppage at General Tire in the U.S., the Group nevertheless lifted both sales and earnings.

Worldwide Group sales rose 6% to DM 8.4 billion. Group earnings were slightly above the previous year's record level of DM 195 million. However, by applying internationally accepted methods of depreciation, the profit increased substantially.

Contributing materially to the year's results were the increased earnings of ContiTech (the industrial products division).

In 1989 as well as 1990, the Corporation has continued its strategy of strengthening its worldwide market position

through partnerships and acquisitions.

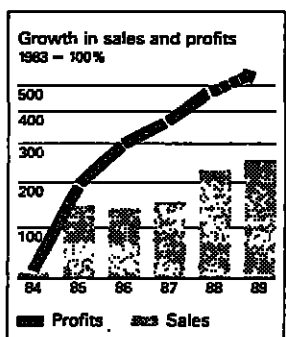
To expand its European tire production, Continental formed a joint venture with the Portuguese tiremaker Mabor S.A. which will supply the Iberian peninsula. Last year also featured the start of construction of the new U.S. truck-tire plant which Continental has undertaken with two Japanese partners.

To increase its distribution network in the U.K., Continental entered into an agreement to acquire Britain's second-largest tire distributor, National Tyre Service Ltd., which has more than 400 locations in the U.K. In West Germany, Scotland, Canada, and the U.S., the Group acquired majority and minority stakes in several firms and trading companies.

ContiTech as well continued expansion of its international operations by making acquisitions in Spain and Turkey.

Investments were stepped up to a new record level of DM 543 million (+19%) in 1989.

For the current year, Continental is forecasting a further increase in sales and satisfactory results for its 47,000 shareholders.



For complete information on Continental, its performance and activities, just contact Continental Aktiengesellschaft, Königsworther Platz 1, P.O. Box 169, D-3000 Hannover 1, West Germany.

Vipont Pharmaceutical, Inc.

has been acquired by

Colgate-Palmolive Company

We initiated this transaction, assisted in the negotiations and acted as financial advisor to Vipont Pharmaceutical, Inc.

PaineWebber Incorporated

BANK OF NEW ZEALAND
Cayman Islands Branch

NZ\$150,000,000
Floating rate notes 1992

For the three months 10 April 1990 to 10 July 1990 the notes will carry an interest rate of 13.225% per annum. Interest payable on the relevant interest payment date 10 July 1990 will amount to NZ\$32,974.19 per NZ\$1,000,000 note and NZ\$164,870.93 per NZ\$5,000,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

BRITANNIA BUILDING SOCIETY

£150,000,000

Floating Rate Notes Due 1993

(The Floating Rate Notes are £150,000,000 Floating Rate Notes due 1993 issued on 24 July 1989 and a further £150,000,000 Floating Rate Notes due 1993 issued on 24 August 1989 consisting of a single series)

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month Interest Period from (and including) 10th April 1990 to (but excluding) 10th July 1990, the Notes will carry a rate of interest of 15% per cent. per annum. The relevant Interest Payment Date will be 10th July 1990. The Coupon Amount per £10,000 will be £283.32, payable against surrender of Coupon No. 18.

Hambros Bank Limited
Agent Bank

Top Performance on Wheels

Continental
Aktiengesellschaft



This announcement does not constitute an offer of Units and appears as a matter of record only. The Placing has now closed. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

April 1990

Placing of

10,000,000 Units

The Korea 1990 Trust

(a securities investment trust established under the laws of the Republic of Korea)

managed by



Citizens Investment Trust Management Co., Ltd.

Salomon Brothers International Limited

Hanshin Securities Co., Ltd.

Hyundai Securities Co., Ltd.

Tong Yang Securities Co., Ltd.

BT Asia Limited

Coryo Securities Corporation

Hoare Govett Corporate Finance Limited

The Nikko Merchant Bank (Singapore) Ltd

Citicorp International Limited

First Securities Co., Ltd.

Jardine Fleming International Inc.

Pacific Securities Co., Ltd.

Banque Indosuez

James Capel & Co. Limited

Daewoo Securities Co., Ltd.

Daeyu Securities Co., Ltd.

Daishin Securities Co., Ltd.

Deutsche Bank

Hanheung Securities Co., Ltd.

Dongsuh Securities Co., Ltd.

Hanyang Securities Co., Ltd.

IBJ Asia Limited

KDB International (London) Limited

KEB International Limited

Korea First Investment Limited

The Lucky Securities Co., Ltd.

J.P. Morgan Securities Asia Ltd.

New Japan Securities Europe Limited

Peregrine Brokerage Ltd

J. Henry Schroder Wagg & Co. Limited

Seoul Securities Co., Ltd.

Shinyoung Securities Co., Ltd.

Ssangyong Investment and Securities Co., Ltd.

Swiss Bank Corporation

Yamaichi International (Europe) Limited

LYONNAISE DES EAUX: FINANCIAL RESULTS 1989

The Board of Directors of Lyonnaise des Eaux, meeting April 4, 1990, finalized parent company and consolidated financial statements for fiscal 1989.

The Group continued its growth

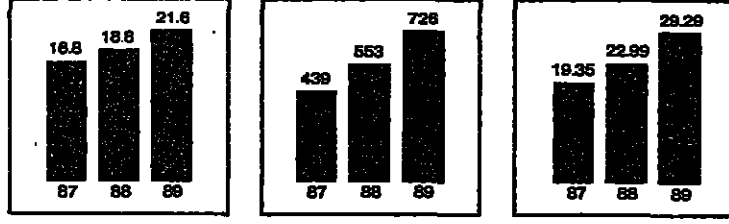
with a 15 per cent increase in consolidated

revenue to FFr 21.6 billion,

and a strong rise in profitability:

of 31 per cent to FFr 726 million in net income.

Net per-share earnings progressed 27.4 per cent.



Operating income amounted to FFr 1.5 billion, an improvement of 25 per cent over 1988. Owing to an increase in Group debt - notably through a parent company issue of bonds with redeemable warrants - financial results declined to a negative FFr 97 million. Current income was up by 16.8 per cent to FFr 1.4 billion. An increase in extraordinary items (+ FFr 200 million over 1988) was offset by a rise in income tax of 62 per cent, including capital gains taxes.

Foreign operations generated 30 per cent of revenue and 40 per cent of consolidated Group profit.

Analysis of consolidated revenue and cash flow by business sector

	Consolidated revenue (FFr in billions)		Cash flow (FFr in millions)	
	1989	1988	1989	1988
Water Supply and Group holding Co.	11.06	9.25	1,326	1,133
Waste Management	2.85	2.44	340	304
Energy Technologies	3.78	3.35	387	367
Mortuary Services	2.56	2.41	190	218
New sectors and Other	1.38	1.35	(43)	68
	21.6	18.8	2,200	2,090

Investments amounted to FFr 5.9 billion, of which 4.1 in financial investments (against 2.5 billion in 1988). That increase was due primarily to the strengthening of equity positions outside France, particularly in Great Britain and Spain.

Lyonnaise des Eaux Company, the Group parent, realized net earnings of FFr 301.1 million, as compared to 262.6 million in 1988.

The Board of Directors has decided to propose, at the Annual General Meeting of May 30, the declaration of a 9.25 francs per-share dividend, an increase of 15.6 per cent over the 8 francs of 1988. Shareholders will be given the option of receiving dividend payments in Lyonnaise shares.



Lyonnaise des Eaux

INTERNATIONAL CAPITAL MARKETS

Revolution in the air for US securities traders

Deborah Hargreaves examines the likely impact of two arcane changes to the SEC's unwieldy rules

The approach of a more liquid private placement market for debt and equity in the US which will be created by the much-debated rule 144a is being hailed as a revolution for US securities trading, but the market is not likely to change overnight.

Rule 144a and its counterpart, regulation S, are two arcane changes to the US Securities and Exchange Commission's unwieldy rulebook which will remove the influence of the US regulator from the sophisticated institutional market place.

The US private placement market has grown to an estimated level of more than \$100bn last year, but although securities can be placed privately extensive restrictions cover their re-sale.

The new rules will create a closed market in which institutions will be able to trade debt and equity in an environment fairly free of regulation.

At a meeting on April 19 the SEC will finalise the arrangements for rule 144a, including the qualifications for an institution to join the market.

The entry level could be set at a securities holding of between \$50m and \$100m to try to keep the private market for the large, professional traders.

The private market is expected to encourage foreign companies to make equity offerings in the US without having to go through the long-winded process of registering with the SEC.

However, it would be false to be optimistic to expect a flood of international issuers, according to Mr Charles Stonehill at Morgan Stanley, the US broker house. At a conference organised by Equity Interna-

tional and sponsored by the National Association of Securities Dealers (NASD), Mr Stonehill said although the approval of rule 144a is an important event from a technical and regulatory point of view, "it wouldn't overstate the case for immediate change."

US investors have some strong reasons for wanting to see the new market, which they are growing their interest behind their Swiss and UK counterparts, where the equivalent of \$120bn and \$200bn respectively is invested in foreign stocks.

US investors are looking to put their money into global companies which they understand or stocks which represent a proxy of a market, such as Deutsche Bank. They do not want to invest in middle-ranking concerns which they do not understand and about which they have little information.

Without the SEC's quarterly reporting requirements investors will have even less information about foreign companies, Mr Stonehill argues. For that reason companies may not keep a whole new raft of investors by making a share offering into the US market, and to start with can expect a good deal of flowback, selling back shares to the home market.

However, other market players believe flowback is an inevitable part of the growing internationalisation of capital flows and must be accepted as a consequence of any attempt to broaden shareholder.

One of the benefits of the private placement market that will be developed under rule 144a will be the ease with which tranches of international equity placements may

be offered to institutional investors. The additional liquidity that will be created will enable larger tranches to be sold in the US.

The NASD has developed an electronic system, called Portal, for trading debt and equity under rule 144a. This means the NASD will ensure all dealers on the system will be qualified to operate in the new market, creating a closed system which will prevent leaks to the retail market.

Portal will be a safe harbour for the institutional market which will clear and settle transactions on a five-day basis through Cedel, the European clearing house.

Yet since Cedel does not accept UK equities, arrangements for trading them through Portal are more complex than those for other European stocks since they involve the creation of an unregistered American depositary receipt which will be cleared in New York.

The system could also prove expensive to use. The NASD intends to provide the system free for the first six months, after which it will formulate the service charge and transaction fee. Competitive systems, such as the American Stock Exchange's Sitas, are also under development.

The NASD will monitor a get-out clause for firms wishing to sell their securities back to the home market or to move on to an SEC-registered exchange with a programme of American depositary receipts.

So far, some 80 ADR programmes have been issued in the US and rule 144a could take some business from them.

CME sends traders to two-hour ethics class

By Barbara Durr in Chicago

MEMBERS of the Chicago Mercantile Exchange are being ordered off the floor and into the classroom - to take lessons in ethics.

The philosophy behind this has a strong utilitarian bias, that of helping to put some shine on the exchange's tarnished image following an investigation of floor trading practices and the indictment of some traders.

All members of the CME will be obliged to attend the ethics classes, and there will be no skipping lessons. If members do not turn up they will be punished.

They will face formal charges from the exchange which will be dealt with just like trading offences, for which the penalties include fines and suspension of trading rights.

The classes - offered twice a week between April and June with another series scheduled later in the year - will use hypothetical trading situations in which questionable practices crop up.

One trader, annoyed by the new step on his side, said: "It's an insult to make you do this, especially for someone who's been around for 10 years like me. But two hours of time is a small price to pay to get a better image for our industry."

Beyond the futures industry image, however, few seemed to believe it would have any deep moralising effect on traders. "I don't know how they're going to instill a sense of ethics in me at 28," quipped one trader.

The programme was one of the recommendations made by a special committee set up by the exchange after a federal investigation of floor trading practices.

The two-year undercover probe by the Federal Bureau of Investigation led to indictments of 45 traders and one clerk last year. The investigation and the indictments that followed it involved both the CME and the Chicago Board of Trade.

Both exchanges have been fighting to shake off the image of the traders as fraud-prone wheeler-dealers. The new CME ethics programme "all goes back to the federal investigation," said Mr Andrew Yemma, exchange spokesman.

A clean-up effort is also being made by the Chicago Board of Trade, which has hired an outside group of specialists to come up with an ethical code of conduct. That group is still at work.

In a letter sent to members last week the CME told traders they will be required to attend two one-hour sessions of ethics classes.

They will be taught by lawyers from the Kent College of Law, part of the Illinois Institute of Technology.

The classes will begin just before the first trial of traders indicted last year. This trial was due to start yesterday but government prosecutors asked for and were granted a one-month delay.

Attorneys for the three Swiss franc futures traders, who are now set to go to trial on May 7, said the Government was trying to strengthen what they contend is a weak case.

The agency had placed the bank's credit ratings, along with those of Copenhagen Handelsbank and Provinshandelbank, on its creditwatch list for a possible downgrading last autumn after the three banks announced merger plans.

S&P cited rising provisions for loan losses and rising write-offs for two of the banks as contributing to the downgrading.

Along with difficulties in the consumer and small business sectors of the Danish economy, the banks will be strained by the increased costs of handling the merger, S&P said.

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FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR STRAIGHTS							CLOSING PRICES ON APRIL 10						
	Issued	Red	Offer	Day	Week	Yield		Issued	Red	Offer	Day	Week	Yield
Austria 6 1/2% 93	140	101	101 1/2	0	+0.04	9.16	Canada 6 1/2% 91	80	95 1/2	95 1/2	0	0	0.07
B.F.C.E. 8 1/4% 94	175	99 1/2	100 1/2	0	0	0.29	C.C.C.E. 9 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
B.F.C.E. 9 1/4% 95	150	99 1/2	100 1/2	0	0	0.29	C.C.C.E. 10 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Denmark 6 1/2% 95	100	99 1/2	100 1/2	0	0	0.29	C.C.C.E. 11 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 10 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 12 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 11 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 13 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 12 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 14 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 13 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 15 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 14 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 16 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 15 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 17 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 16 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 18 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 17 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 19 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 18 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 20 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 19 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 21 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 20 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 22 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 21 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 23 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 22 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 24 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 23 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 25 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 24 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 26 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 25 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 27 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 26 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 28 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 27 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 29 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 28 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 30 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 29 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 31 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 30 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 32 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 31 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 33 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 32 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 34 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 33 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 35 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 34 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 36 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 35 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 37 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 36 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 38 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 37 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 39 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 38 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 40 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 39 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 41 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 40 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 42 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 41 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 43 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 42 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 44 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 43 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 45 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 44 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 46 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 45 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 47 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 46 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 48 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 47 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 49 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 48 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 50 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 49 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 51 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 50 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 52 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 51 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 53 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 52 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 54 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 53 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 55 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 54 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 56 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 55 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 57 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 56 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 58 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 57 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 59 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 58 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 60 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 59 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 61 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 60 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 62 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 61 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 63 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 62 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 64 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 63 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 65 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 64 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 66 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 65 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 67 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 66 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 68 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 67 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 69 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 68 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 70 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 69 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 71 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 70 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 72 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 71 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 73 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 72 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 74 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 73 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 75 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 74 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 76 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 75 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 77 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 76 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 78 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 77 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 79 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 78 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 80 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 79 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 81 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 80 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 82 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 81 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 83 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 82 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 84 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 83 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 85 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 84 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 86 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 85 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 87 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 86 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 88 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 87 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 89 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 88 1/2% 93	100	100 1/2	102 1/2	0	0	0.29	C.C.C.E. 90 1/4% 95	300	99 1/2	100 1/2	0	0	0.29
Finland 89 1/2% 93	100	100 1/2	102 1/2	0	0								

INTERNATIONAL CAPITAL MARKETS

Pressure grows to resolve BFCE debt provision

By George Graham in Paris

PRESSURE is mounting on the French Government to find a solution to the problems of the Banque Française du Commerce Extérieur (BFCE), the state-owned insurance company, stepping in as BFCE's major shareholder, alongside the Banque de France, France's central bank, and the Caisse des Dépôts, the state financing institution.

AGF refuses, however, to cover the bank's past debt exposure, and wants BFCE's existing shareholders to wipe the slate clean before it brings them out, to end up with a stake of around 40 per cent.

These shareholders, which include the main French commercial banks, both state-owned and privatised, are enthusiastic about putting up the money.

The Commission Bancaire's

renewed demand is expected to increase the pressure on these shareholders to reach an agreement. Mr Jean-Claude Trichet, director of the French Treasury, is leading the negotiations, and Paris bankers believe a settlement should be achieved by the end of this month.

BFCE's sovereign debt provisions at the end of 1988 amounted to only FF1.45bn, some 26 per cent of its exposure to 39 problem countries. Banking analysts are particularly concerned that the bank's year reduced the new provisions slightly to FF1.87bn.

The Commission Bancaire consistently asks under-provisioned banks to bring their cover up to the average of the profession, which last year stood at 40 per cent. By now BFCE would need an estimated FF1.2bn of additional provisions to come up to 50 per cent cover.

AGF insists the existing shareholders must fill this hole, and must also come up with FF1.2bn more of capital needed to bring BFCE into line with the prudential ratios laid down by the Cooke Committee of the Bank for International Settlements.

The insurer also wants to pay BFCE's bank shareholders with its own shares, a point which seems now to have been agreed.

Simex may start Euroyen interest rate options

THE Singapore International Monetary Exchange (Simex) is considering launching contracts in Euroyen interest rate options, Eurodollar interest rate futures and crude oil futures, Reuters reports.

Euroyen interest rate options are expected to complement trading in Euroyen futures which was launched in October 1989, local traders said.

The Euroyen option would bring the total of options traded on Simex to four, with

the existing Eurodollar, yen and D-Mark options. "But the only activity right now is in Eurodollar options," one local house trader said.

"Currency options are neglected, and interest in Euroyen options will depend on the liquidity of the underlying Euroyen futures contract," a local house trader said.

Turnover of Euroyen contracts in January this year was \$3,832. It then fell to \$7,212 in February before recovering to \$7,887 in March.

BZW takes on Drexel staff to build US position

By Richard Waters and David Lascelles, Banking Editor

BARCLAYS de Zoete Wedd, the investment banking arm of the Barclays Bank group, has become the second UK-based firm to take the opportunity of the Drexel Burnham Lambert collapse earlier this year to build a position in the US equity market.

BZW announced yesterday it had taken on 40 former staff from Drexel's equity operations in the US, including 25 analysts and sales staff.

A month ago County NatWest, part of the National Westminster banking group, signed up 60 former Drexel staff in the US and 24 in London.

Both firms said a position in the US market was vital to their strategy of achieving a presence in the world's leading equity markets, although County, with a total of 150 staff in the area compared with BZW's 40, has a far larger presence.

BZW's recruits include Mr Richard Hoey, the highly-regarded economist, and Mr Abby Joseph Cohen, investment strategist. A Chicago-based US equity sales team headed by Mr Hugh Feehan is also being taken on.

BZW has applied for securities and banking regulatory approvals to undertake full service brokerage in the US.

Deutsche Bank, which arranged the facility, Commerzbank and Morgan Stanley were appointed as dealers. The first issuance is expected for the second half of April.

The notes will be listed on the regulated market of the Frankfurt Stock Exchange. The facility allows for fixed-rate, floating-rate and zero-coupon notes with maturity of between two and 30 years.

Gilts depressed by UK economic worries

By Deborah Hargreaves in London, Janet Bush in New York and George Graham in Paris

IT WAS a listless day for UK gilts yesterday as the pound weakened and the market was spooked by expectations of a large Eurosterling issue.

In addition, investors in the UK bond market continue to be worried about the economy and this has been reflected in a

GOVERNMENT BONDS

recent slide in gilt prices.

As the Bank of England's three-month index slipped to 87.3 from a previous close of 87.4, the sluggish gilt market shed about 1/4 point. The benchmark 1 1/2 per cent 2003-07 bond closed at 96.12 with a yield just over 13 per cent after a close of 96.18.

Investors in UK gilts are worried about the economic implications of yesterday's decision by Ford of the US to switch investment from south Wales to West Germany. The market was also concerned about the planned launch of a £200m Eurosterling issue yesterday which was later postponed.

Expected £350m Gefco issue unsettles markets

By Norma Cohen

THE Eurosterling and gilt markets were buffeted yesterday by speculation that Guaranteed Export Finance Corporation (Gefco) was about to tap the market with up to £350m of 12-year bonds guaranteed by the UK Government.

Prices in the sector fell in

INTERNATIONAL BONDS

response to the rumour, but by the end of the day the deal had failed to materialise.

Dealers said the market reaction was probably prompted by the two lead managers - Barclays de Zoete Wedd and SG Warburg - sounding out institutional investors about terms at which they would be willing to purchase the bonds.

The notes will be listed on the regulated market of the Frankfurt Stock Exchange. The facility allows for fixed-rate, floating-rate and zero-coupon notes with maturity of between two and 30 years.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	10.000	4/93	91.29	-0.02	13.35	13.30	13.48
	10.000	6/98	86.13	-1.75	12.38	12.38	12.46
	8.000	10/08	81.10	-10.02	11.44	11.38	11.41
US TREASURY	8.500	02/00	92.18	-0.02	8.20	8.22	8.23
	8.500	02/00	92.11	-0.02	8.26	8.22	8.21
JAPAN	No 119	8.000	6/99	85.4549	-0.200	7.28	7.18
	No 2	4.700	3/07	83.2706	-0.001	7.24	7.30
GERMANY	7.125	12/99	98.5900	-0.250	8.75	8.42	8.88
FRANCE	BTAN	8.000	02/95	96.1144	-0.035	10.03	10.08
	OAT	8.500	03/00	92.6800	-0.320	9.67	9.57
CANADA	8.250	12/98	96.4500	-0.100	11.62	11.23	10.80
NETHERLANDS	7.750	01/00	91.9500	-0.190	9.01	8.67	9.12
AUSTRALIA	12.000	7/93	82.3185	-0.147	13.46	13.58	13.30

London closing. *denotes New York morning session. Prices: US, UK in 32nds, others in decimal.

Yields: Local market standard. Technical Data/ATLAS Price Sources

THE French government yesterday sold 494m Ecus of bonds by Dutch auction, taking advantage of a resurgence in demand for bonds denominated in the European currency unit.

The new 10-year French Ecus bond, OAT 8.5 per cent 2000, was sold at a cut off price of 93.2, giving a weighted average yield of 10.61 per cent.

The issue follows recent large Ecus bond placements by Belgium (300m Ecus), Italy (1bn Ecus) and the European Community (350m Ecus). Spain is expected to follow shortly.

US Treasuries drifted higher yesterday morning in advance of the sale of \$3.5bn in 40-year Resolution Funding Corp bonds which are being sold as part of the ball-out of the thrift industry.

However, towards midday

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
TELECOM	200	27 1/2 bp	99.75	2029	34/28bp	Salomon Brothers Int.
TMC PIMBS 4th Financing (a) (b)	75	15 1/2	101.85	1992	1 1/4 %	Westpac Banking Corp.
AUSTRALIAN DOLLARS	10bn	14	101	1995	1 1/4 %	Banco Bilbao Vizcaya
IBM Australia Credit (a) (b)	100	7 1/2	102 1/2	2002	2 1/2	Wirtschafts- und Privatbank
PESETAS	10bn	14	101	1995	1 1/4 %	Banco Bilbao Vizcaya
Council of Europe (a) (b)	100	7 1/2	102 1/2	2002	2 1/2	Wirtschafts- und Privatbank
SWISS FRANCES	100	7 1/2	102 1/2	2002	2 1/2	Wirtschafts- und Privatbank
YEN	5bn	7	101 1/2	1998	1 1/4 %	Mitsui Trust Int.
Scand. Airlines System (a) (b)	15bn	40bp	100	2000	25/15bp	Daiwa Europe
Council of Europe (a) (b)	100	7 1/2	102 1/2	2002	2 1/2	Wirtschafts- und Privatbank
FINNISH MARKKA	300	13 1/4	101 1/4	1993	1 1/4 %	Postipankki

(a) Floating rate notes. (b) With bond warrants. (c) Non-callable. (d) Non-callable. Each \$50,000 has one warrant which can be exercised only on Feb 21 and Nov 21 1991 into bond due 2009 (non-callable), paying 7 1/4% at 100.

Non-callable. (e) Issued increased from 100m. Coupon pays 40bp under Japanese long-term prime rate. Put April 1997 at 100. Call April 1991 at 100.2 and thereafter annually at par. (f) Coupon pays 27 1/2 bp over 3-month Libor, rising to 50bp after 10 years. Average life 7 years. Fixed re-offer price.

prompted some investors to switch out of longer-dated gilts into the 12-year area, they said.

However, market appetite for sterling floaters remains reasonably strong. Salomon Brothers launched a £200m offering of mortgage-backed securities for TMC PIMBS 4th Financing Plc. The borrower is

sion, bond prices, particularly at the long end, started to drift back. The long bond was quoted 1/4 point higher to yield 8.53 per cent. There was some optimism over the Refcorp auction, partly because of the relatively small size of bonds on offer and partly because the yields looked quite attractive, compared with 30-year Treasury bonds.

Primary dealers were expected to take the bulk of the issue and then strip the bonds of their coupons to satisfy expected Japanese demand for long zero-coupon bonds.

The market is also focusing on today's \$7.5bn issue of seven-year bonds. The mood on this sale is less sanguine, although the sale may be helped if the Refcorp issue goes well.

The Treasury market does not appear to be reacting much to the growing consensus that the Group of Seven meeting left the Japanese authorities isolated in their efforts to bolster the yen.

THE Japanese government bond market was slightly stronger yesterday in spite of

the yen weakening against the dollar. Traders were suggesting that the JGB market has become uncoupled from the currency and will now show some independent movement.

Yields on the benchmark 119 bond were lower at 7.20 per cent as bond prices moved higher. The new bonds auctioned last Friday were trading slightly below par in the secondary market after demand for the 6.7 per cent coupon on the bonds - the highest in 7 years - was strong.

The new bonds were yielding 6.72 per cent in the after-market which proves expensive on existing market levels, but nevertheless they were bought aggressively by some houses.

MANY traders in the West German bond market are winding down their books ahead of the Easter holiday which has left the bond market thin and miserable.

Investors are concerned about the continuing debate surrounding monetary union. The benchmark 7 1/2 per cent 2000 bond was marked down at the fixing yesterday to 93.97 from 94.30.

issue price at 99.80 bid.

Meanwhile, Council of Europe issued a matador bond carrying the highest coupon of any such issue to date. The Pta10bn five-year deal, lead managed by Banco Bilbao Vizcaya and Bank of Tokyo, carries a coupon of 14 per cent and is priced at 101 to yield 14.18 per cent if sold at a discount equal to full fees. Proceeds were said to have been swapped into floating-rate dollars. Dealers said the deal was trading around its 1 1/4 per cent fees.

Separately, UBS Phillips & Drew said it had ceased trading Australian dollar Eurobonds, citing diminishing liquidity in the secondary market.

In Switzerland, Oesterreichische Kontrollbank launched a Sfr100m 12-year bond with debt warrants, the first issue of its type in six months. The issue was well received, enough to trade inside its 2 1/4 per cent fees at less 2 1/4 to less 2 bid.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	9	7
Corporations, Dominion and Foreign Bonds	215	489	887
Financial and Properties	103	249	374
Oil	18	36	35
Metals	25	48	8
Mines	2	5	1
Others	81	55	117
Totals	451	979	1,524

LONDON RECENT ISSUES

Issue	Amount	Price	Yield	Rating	Notes
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury

FIXED INTEREST STOCKS

Issue	Amount	Price	Yield	Rating	Notes
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury

RIGHTS OFFERS

Issue	Amount	Price	Yield	Rating	Notes
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury
100m F.F.	100	101.85	8.20	A	US Treasury

LONDON TRADED OPTIONS

Option	CALLS	PUTS	Option	CALLS	PUTS
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85

Option	CALLS	PUTS	Option	CALLS	PUTS
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85

Option	CALLS	PUTS	Option	CALLS	PUTS
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85

Option	CALLS	PUTS	Option	CALLS	PUTS
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85
100m F.F.	100	101.85	100m F.F.	100	101.85

Option	CALLS
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UK COMPANY NEWS

First round lost — but the fight continues

Nikki Tait looks at the Hoylake bid for BAT in the wake of the Californian ruling

MADAME BEAUD, the French banker and long-time business associate of Sir James Goldsmith, had no doubts about her reaction to the first, and decidedly adverse, US regulatory ruling in the long Hoylake-BAT industrial battle. "We are not giving up."

Moreover, speaking as a director of Hoylake — and preparing to take the witness stand in Texas on behalf of the Goldsmith consortium in the sixth of nine state hearings — she seemed to reflect the equally pugnacious mood in Hoylake's ally, Axa Midi Assurance.

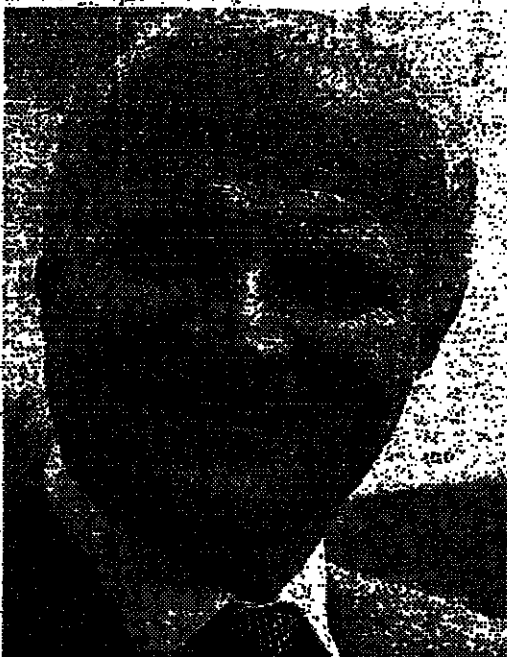
The French insurance company is lined up to buy BAT's US insurance subsidiary, Farmers Group, from Hoylake if the latter makes a successful bid for BAT. However, Hoylake cannot rebid until these arrangements have won approval from nine separate state insurance departments. California, Farmers' home state and the source of 40 per cent of its business, is arguably the most crucial.

"It seems to be 'Forward the French'," remarked one, rather more cautious, Hoylake representative, still digesting the regulators' ruling in London.

Given the fine print of the Californian decision, the French reaction might seem more like march towards hefty legal fees, renewed management effort, with little prospect of joy at the end of the road.

The inevitable question, then, is whether the brave words are a play for time while the Texas hearing continues — and, perhaps, a few other state decisions become known. Or do they reflect a real conviction that the deal can be reshaped to California's satisfaction?

Ms Roxanni Gillespie, the Californian insurance commissioner, certainly did not pull



Sir James Goldsmith and Roxanni Gillespie



her punches in the ruling. Her decision splits into two parts. The first considers the application by Hoylake to acquire BAT and, by implication, its Los Angeles-based insurance subsidiary. The second deals with Axa's proposed ownership of Farmers.

On the first score, as the Californian commissioner explained on Monday, the department felt there were three basic problems.

For a start, it lacked firm information about how a renewed Hoylake offer for BAT might be structured or even where it might eventually be pitched. Next, in Ms Gillespie's words, "There was a big gap on information about Hoylake."

And, finally, the regulators decided that Hoylake could acquire BAT but still not be able to sell Farmers to Axa —

either immediately, or, possibly, at all. This "gap" problem, which concerns the legal ability to enforce the Axa-Farmers sale agreement, has occupied hours of debate during the various hearings.

On the way, the Californian ruling contains the odd jibe. It notes, for example, that the Anglo holding company — the quoted UK group which plays a key part in the Hoylake bid structure — has four employees, one of them a security guard. And it makes reference to the Keating connection. Mr Charles Keating is the former head of the Lincoln Savings & Loan Association, whose subsidiary, Amcor, is bankrupt.

Amcor owns 20 per cent of the shares in General Oriental Investments, the main vehicle through which Goldsmith is investing in Hoylake.

More seriously, on the Axa application, the Department's basic problem was the funding for Axa's proposed \$4.5bn purchase. At present, the plan is for a \$2.25bn 10-year loan, repayable by dividends from Farmers, and \$2.25bn of two to three-year loan notes, to be paid off by the sale of the Axa group's non-insurance assets.

"The acquisition of Farmers by Axa through Hoylake," said the Gillespie ruling bluntly, "will be a leveraged buy-out."

Continuing on this theme, the regulators stated that "a reasonable debt to equity ratio is of utmost importance in the insurance industry". Doing their own sums, Californian officials found the debt to equity ratio at the Axa level to be 5.6:1 and in the main acquisition vehicle, infinite (ie no tangible net worth). Their own

Californian acquisition guidelines require a maximum of 1:1 where five-year loans are involved, or 1.5:1 on 10-year funding.

That is only the bare bones of the problem. The ruling, for example, also takes on board all Farmers' worries about the potential loss of its section 835 tax election — a more favourable treatment than that implicit in the Axa scheme and the higher dividend drain on Farmers.

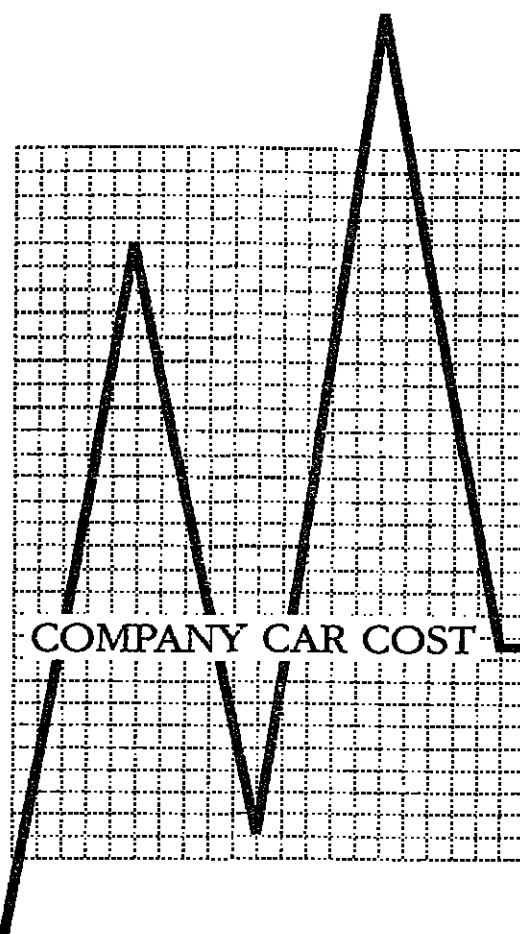
So what can Axa and Hoylake do? Yesterday, the French group was pointing out that California cast no aspersions on its management capabilities; rather, it described Axa's European record as "outstanding". "The problem," said one Axa representative cheerfully, "is to put down cash."

Not surprisingly, no-one was too precise about how that might be achieved at this stage. Options mooted included accelerated non-insurance asset sales and a relocation of loans so the tax implications of the deal were different. By contrast, suggestions that another partner might be brought in or that Axa's \$1bn investment in Hoylake might be abandoned tended to be played down.

That said, on Monday night Ms Gillespie herself did not appear to be offering a lot of room for manoeuvre. It would, she said, take a very substantial restructuring before the department could reconsider its decision on Axa.

With that in mind, does the Californian ruling spell the end of the Goldsmith-BAT saga? Given the Axa/Hoylake reaction and Goldsmith's reputation for staying power, London analysts were hedging their bets yesterday.

"It's a fading situation," said one, "but there have been so many twists and turns in this already, that you just never know."



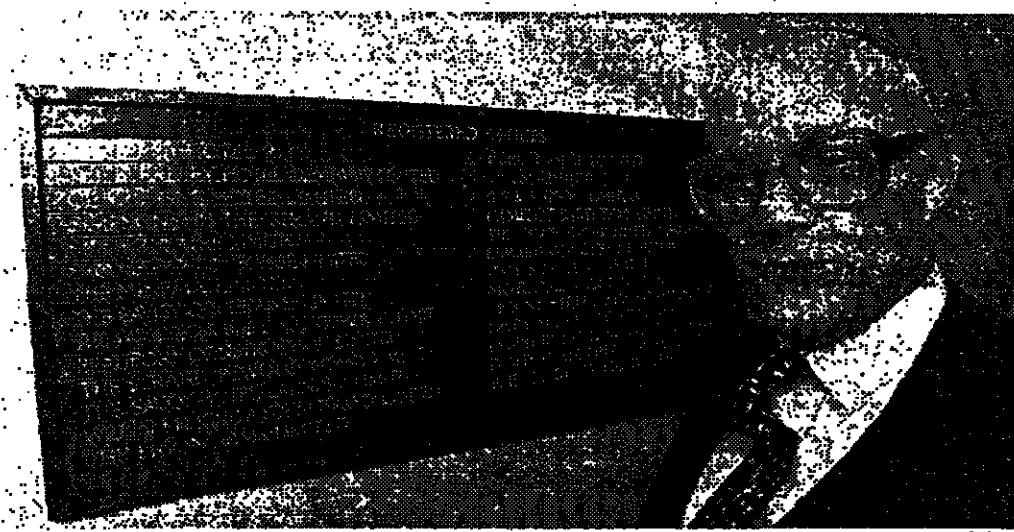
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Settled Savoy uncorks £13m



Trevor Humphries

MR GILES SHEPARD, managing director of the Savoy Hotel group, yesterday presented the company's annual results and described 1989 as "an important year" which included the centenary of the flagship hotel and also "the end of hostilities with Trusthouse Forte, and what I hope will be a lasting accord."

The luxury hotel group increased taxable profits 4 per cent from £12.53m to £13.08m. Turnover was up 18 per cent at £89.04m, against £75.15m last year.

Capital investment during 1989 consisted of £13m spent on improvements to hotels and equipment, with another £7.9m on repairs, maintenance and renewals. Improvements included the complete rebuilding and re-equipping of the kitchens and the refurbishment of

44 bedrooms at Claridge's. Tax took £4.73m (£4.33m), but an extraordinary item put in £5.01m (£390,000 charge), leaving net profit of £13.35m (£7.51m). The directors recommend a dividend of 7p per ordinary and 3.5p per B share.

The group has also added the facilities of the Wentworth golf club to those available to guests through taking a 3 per cent stake in the Surrey club which boasts two championship courses.

Mr Shepard said that 1990 would be a difficult year because of growing competition from France, Italy and eastern Europe. But he was sure the group would maintain market share so long as it maintained its consistency of standards.

ADT denies plan to bid for Christies

By Clare Pearson

ADT, the vehicle auction and security group headed by Mr Michael Ashcroft, yesterday said that it had no plans to make an offer for Christies International, unless a competitive situation arose.

This was ADT's first formal statement of intent concerning the fine art auctioneer in which it has been amassing shares for at least a year.

It was also announced that the vehicle ADT Retirement Fund, the company has 13.8 per cent of Christies' ordinary shares, or 12.2 per

cent of the total when the special 'A' ordinary shares are taken into account. This is up from 8.5 per cent of the total announced in February.

The statement almost certainly precludes ADT from being allowed by the Takeover Panel to make an offer for Christies within the next few months, except in the case of another bidder emerging. Christies' share price closed unchanged yesterday at 83p, giving a market capitalisation of £508.3m.

Another big Christies stake-

holder is Aska International, the unquoted Japanese finance and insurance company, which said it had acquired 8.5 per cent last September. The Walenburg group, quoted vehicle of the Swedish Ceyzer family, now accounts for about 6.9 per cent. The stake is thought to be supportive of the management.

Mr Christopher Davidge, Christies' managing director, on Monday sold 30,000 shares in the company, reducing his holding to 168,400 or 0.01 per cent of the ordinary.

"Abbey National plc... the largest number of shareholders of any company in the world"

Extracts from the statement by Sir Campbell Adamson, Chairman of Abbey National plc, at the Annual General Meeting.

Conversion

The vote was the largest private ballot ever held — more than 3½ million members voted massively in favour. The float was one of the largest in terms of money raised and created a world record 5½ million shareholders on the company register — 3½ million of whom had never held shares before.

We were the first building society to convert and were placed in the position of having to negotiate new and extremely complicated legislation. What conversion does is give us freedom to compete in a de-regulated, highly commercial and highly competitive market place.

1989 Results

Our results show just how well we managed the business while all this was going on.

- Net lending reached £4.2bn, 24% up on 1988 despite a 13% fall in net UK mortgage lending.
- Mortgage market share increased from 8.4% to 11.9% in a difficult market but with no sacrifice in quality.
- Operating expenses were 45.2% of total operating income: well below that of the other major clearing banks.
- Assets up 18% to £37.2bn.
- Profits before tax up 21% to £501m, second only to Barclays among the major clearing banks.

Products and Services

We have emerged from a demanding but successful 1989 as a new kind of financial animal and we are wasting no time in bringing the advantages of our new status to our customers.

We are investing heavily in our branch network. The programme of branch improvement is in its early stages but £35m was spent last year.

On the savings side the Optimum Bond was launched in November for customers with larger sums to invest and has proved a real winner, already attracting over £1bn.

We are already the second largest insurance intermediary in the UK. Advice on products is available through branches and Cornerstone outlets. In addition Abbey National Financial Services Ltd. has over 100 consultants advising clients at work or in their homes on a range of financial products and services including Unit Trusts, Pensions and Retirement and Savings planning. Abbey National Homes Ltd. has continued to develop accommodation for purchase or rent. It is currently involved in building houses and flats on 32 sites totaling 1,800 units.

In 1989 we opened a second office in Spain and began a new business in Italy. At the start of this year we announced our intention to acquire the French mortgage company FicoFrance.

But we are fully aware of the promise we made to shareholders that we would not venture too far from our traditional areas of business. Nor have we. We are in Europe to do mortgage and savings business — profitably. That's what we are good at.

1990

What does the future hold for us? The economic outlook for 1990 may be an uncertain one — but I think we have proved once again that we can do well even when conditions are difficult. With operating costs lower than nearly all our professional rivals and very appreciably lower than the banks, we have an advantage which we intend to hold on to.

Summary

- In 1989: Profits went up 21% to £501m — a total beaten only by Barclays of the major clearing banks.
- The operating to income ratio was only 45.2%, well below that of the clearing banks.
- Mortgage market share went up to 11.9% from 8.4%.
- Abbey National captured 8% of the current account market with over 1 million accounts now opened.
- The Optimum Bond proved itself a winner with over £1bn invested.
- Abbey National established new business in France and Italy.
- With competitive interest rates, healthy balance sheet and strong financial ratios relative to our competitors, Abbey National is well set to negotiate the economic uncertainty of 1990.

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Deutsche Bank

Aktiengesellschaft

(Incorporated in the Federal Republic of Germany with limited liability)
Frankfurt am Main

After our Ordinary General Meeting was convened for Wednesday, May 18, 1990 through a notice in the Bundesanzeiger No. 63 of March 30, 1990, the Deutsche Schutzvereinigung für Wertpapierbesitz (German association for protection of securities holdings) requested in accordance with the Joint Stock Corporation Act, Section 122 (2) that an additional item be announced for resolution.

The following is to be included in the Agenda:

6. Abolition of the maximum voting right

The Board of Managing Directors proposes that this proposal be rejected.

In the present legal situation the maximum voting right serves to protect the shareholder against unequal treatment in the event of shares being bought up and of takeover bids. We think it can only be dispensed with if greater transparency can be achieved in the anonymity of shareholder structures so that investors can recognize changes and intentions of a party buying up shares and/or of a potential bidder. In our opinion this requires the implementation – as quickly as possible – of the EC information directive, which establishes an obligation to disclose holdings at least from 10%. In addition, we are in favour of binding rules for takeover bids, ensuring orderly and fair procedure with the aim of equal treatment for all shareholders. Until fulfilment of these preconditions, the maximum voting right should be retained.

Frankfurt am Main, April, 1990

The Board of Managing Directors

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Payment of interest and reimbursement of principal will be made on April 12, 1990 in accordance with paragraph "Purchase and Redemption" (c) "Optional Redemption in U.S. Dollar" and "Payments" of the Terms and Conditions of the Notes.

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NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Brazilian Investment Company S.A. will be held at its registered office in Luxembourg, 14 rue d'Alsace, on April 19th, 1990 at 12.00 noon for the purpose of considering and voting upon the following matters:

1. To hear and accept:
a) the management report of the directors
b) the report of the auditor.
2. To approve the statement of assets and liabilities and statement of operations for the year ended December 31st, 1989.
3. To discharge the directors and the auditor with respect to their performance of duties during the year ended December 31st, 1989.
4. To elect the directors to serve until the next annual general meeting of shareholders.
5. To elect the auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

The Board of Directors

UK COMPANY NEWS

Uncertain outlook in Brazil main reason for caution about 1990 Foseco edges ahead to £46.2m

By Jane Fuller

FOSECO, which produces speciality chemicals and abrasives for a range of industries, increased pre-tax profit by 7 per cent to £46.2m in 1989. On turnover of £573.1m (£526.6m) made in 40 countries, operating profit advanced by 13 per cent to £50.4m. Interest payments sliced £4.2m (£1.7m) off this.

Market disappointment was registered yesterday in a 14p fall in the share price to 229p. Mr Tony Chubb, chairman, said the second half had suffered from falling car sales in the UK, economic problems in the US and runaway inflation in Brazil.

"The biggest single reason for our caution about 1990 is Brazil," said Mr Chubb. Between 5 and 10 per cent of the group's business was in that country and the outlook depended on the impact of President Fernando Collor's fierce monetary squeeze. In North and South America, operating profit was slightly down at £6.3m, while sales advanced to £182.5m (£127.6m).

In the UK, turnover fell slightly after disposals to £151.9m, while operating profit grew to £13.9m (£11.3m).

While some products had been affected by the downturn in house building and DIY activity, civil construction was holding up well. Mr Chubb said 1990 was set to be a more difficult year. The demand from the steel and coal industries, for example, was not as buoyant.

Geographically, continental Europe made the biggest contribution to both sales and operating profit: £168.9m and £17.1m respectively.

In Asia, including a long-standing operation in Japan, sales grew to £74.2m (£64.7m) and profits to £10.1m (£6.7m). Looking at by division, metalurgical chemicals produced about 55 per cent of both turnover and operating profit. Mr Bob Jordan, managing director, said the group had continued to reduce its dependency on steel and to build up the foundry and light alloy/aluminium activities.

Profits from construction and mining chemicals rose by 50 per cent to £2.2m after a dip last year. Abrasives and diamond products added nearly £1m profit to reach £13.2m. Earnings per share reached 30.3p (28.3p). The proposed final dividend of 8.5p makes a total of 13.5p (12.2p).

COMMENT

Foseco's pre-tax profit fell from £24.5m to less than £22m between the first and second halves. And that was before the crisis in Brazil, which could more than wipe out an estimated £3m or £4m profit from that country. With UK sales looking flat and only slow growth expected in the US, this leaves a lot to be made up in the happier territories. The management has also underlined expectations by a somewhat ingenuous statement. A forecast pre-tax profit for 1990 of about £42m gives a prospective p/e of 8.6. The share price is supported by a prospective yield of about 8 per cent. But it seems that only bid specula-



Tony Chubb: less demand from steel and coal industries

tion will drive up the price, as it did last June after it was revealed that the Scharf brothers had acquired a 4.4 per cent stake.

Silentnight loses sleep over Lowndes tie-up

By Andrew Bolger

SILENTNIGHT Holdings, the bed and furniture manufacturer, has blamed a 33 per cent drop in pre-tax profits on its disastrous tie-up with Lowndes Queensway, the loss-making furniture and carpet retailer.

In the year ended February 3 1990 the group made profits of £7.4m (£11.1m), in line with the warning it gave last December. Turnover, however, rose by 25 per cent to £182.5m (£127.6m). The shares stayed at 76p.

The final dividend is cut by 2p to 2.75p, making the total 5p (7p). Earnings per share fell 30 per cent to 10.79p (15.37p).

Mr Christopher Burnett, chief executive, said the company had lost "several millions" overall in trying to establish a direct delivery operation with Lowndes, which saw its shares suspended in August while a refinancing package was worked out.

Silentnight undertook to deliver beds direct to consumers' homes in exchange for Lowndes purchasing 80 per cent of its bed range from the group. It postponed investment

in the system when Lowndes made its problems public in August, two months after the service began, but carried on trading with Lowndes and providing the service until February of this year.

Mr Burnett said: "This had two effects. First, it meant that the distribution was done very inefficiently and, due to the strain put on warehousing and transport resources, it also affected the service levels to other customers. Second, because the vast majority of Lowndes orders turned out to be at the bottom of the range in terms of price, the margin in no way covered costs when operating in this inefficient manner."

Mr Burnett added: "We still believe in the direct delivery service, but we picked the wrong retailer with which to build the service, though, in our defence, their financial problems were unknown to us at the time."

Silentnight said its second main problem was with upholstery. A new three-piece suite

turned out to be a best-seller, but the fabric came from the US and was on 12 weeks delivery. The sudden demand for the suite meant the factory operated well below capacity until the fabric supply caught up with demand.

COMMENT

Last year turned out to be a nightmare for Britain's biggest manufacturer of beds. Direct delivery was always going to pose severe management challenges, but the untimely link with debt-laden Lowndes turned a high-risk strategy into a fiasco. Claiming these prob-

lems are behind him, Mr Burnett sees little sign of a consumer spending downturn. That may well be true so far, but the combination of higher mortgage rates and poll tax payments seems likely to hit high-ticket items such as beds and furniture sooner than later. Analysts predict profits next year of £8.5m and earnings of 12.1p, which puts the shares on a modest multiple of just over 6. That is underpinned by a prospective yield of 9.8 per cent, but investors who wish to sleep easy are likely to give Silentnight a wide berth for the immediate future.

Wace shrugs off uncertainties with £22m

By John Thornhill

WACE GROUP, the acquisitive pre-press services and specialist printing company, shrugged off the uncertainties surrounding its sector and reported more than doubled pre-tax profits of £21.8m in 1989, up from £10m in the previous year.

Mr John Clegg, managing director, said that 1989 had marked the group's transition from a smaller UK company into a medium-sized international public group. Wace claims to be the largest company in the world in the highly-fragmented pre-press industry with a market share of over 2 per cent.

Turnover was strongly ahead at £159.15m (£70.42m). Almost 60 per cent of sales were from the UK and the rest derived from the US.

Mr Clegg was particularly pleased that earnings per share had advanced by 58 per cent to 26.5p (16.8p restated). About half of the earnings growth came from 10 acquisitions.

The final dividend is lifted to 5.75p increasing the yearly pay-out by 88 per cent to 7.5p (4p).

During the year, Wace spent £27.5m on capital expenditure and has now completed its new headquarters and pre-press facility at Shepherdess Walk in London. This will enable it to sell several freehold properties which might raise upwards of £15m.

Last September, Wace raised £44.8m through a two-for-seven rights issue. However, less than 20 per cent of the shares were taken up as the stock market slumped. Although Mr

Refocused WCRS hits £16m and seeks Paris listing

By Alice Rawsthorn

WCRS, the marketing group which intends to change its name to Aegis to reflect its move away from advertising to media buying, yesterday announced profits before tax and extraordinary items of £16m on turnover of £245.2m in the six months to December 31.

The group did not issue comparable figures for the same period in the previous year. Mr Peter Scott, chairman, said it would have been "ridiculous" to do so given that WCRS had changed "so dramatically".

Last autumn WCRS announced its intention to take full control of Carat, the Paris-based media buying group, for £220m. It already owned half of Carat.

At the same time it sold control of its original advertising interests to Eurocom, the French marketing group, for £47.5m. WCRS now owns 40 per cent of EWDB, the advertising network formed by the deal, and in future will account for it as an associate.

Fully diluted earnings per share amounted to 9.7p. The board declared an interim dividend of 2.5p and intends to increase the dividend above the rate of earnings per share

growth in future years so that the yield is brought closer to the stock market average.

WCRS will seek a listing on the Paris stock market by the end of the year and will then change its name to Aegis.

Carat has been expanding outside France to establish a European media buying operation. Mr Scott said that of its £4.4m (£2.6m) billings, £1.3m came from France and \$90,000 from West Germany. It also has significant interests in Spain, Italy, Belgium and the UK.

Last month it approached the French government for permission for Carat to handle EWDB's media buying in France. A decision is expected next month. The French government has also begun an inquiry into the French media buying scene, which should be completed in 18 months.

WCRS's shares were unchanged at 255p yesterday. Ms Lorna Tibbani, advertising analyst at Warburgs, said the City would be uncertain as to how to judge WCRS's performance until comparable figures were available. She forecast pre-tax profits of £71m and earnings per share of 36.3p for the full financial year.

DG Durham in the black

ALL DIVISIONS contributed to the pre-tax profit of £1.1m achieved by DG Durham Group, USM-quoted insurance and reinsurance broker, for the year to December 31. There was a £202,000 loss previously.

Mr Richard Read, chairman, said the result justified the board's policy of consolidating the businesses after the 1988 reorganisation. Difficulties

were still being experienced, he said, in disposing of interests in property occupied by former subsidiaries.

Turnover advanced by 27 per cent to £10.2m, despite difficult market conditions. The directors are recommending a final dividend of 1p for a 2p (1p) total. Earnings were 5.2p (2.4p) before goodwill amortisation and 3.9p (3.7p) after.

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For the six months

11th April, 1990 to 11th October, 1990

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 8 1/4 per cent per annum, and that the interest payable on the relevant interest payment date, 11th October, 1990 against Coupon No. 23 will be U.S. \$148.43.

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SUNBELT HOLDINGS S.A.

Registered Office: 7, rue Pierre d'Aspell
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NOTICE TO THE SHAREHOLDERS

Notice is hereby given to holders of shares in SUNBELT HOLDINGS S.A. that an EXTRAORDINARY GENERAL MEETING will be held on the 30th of April, 1990 at the registered office in order to consider a proposal to restructure the share capital of the company in accordance with the following resolutions:

1. To give discharge to the directors who have resigned: Mr Erik Møsen whose resignation became effective from the 26th January 1990, Mr Serge Tabery whose resignation became effective from the 26th January 1990, Mr Richard Maffey whose resignation became effective from the 14th March, 1990 and Mr Thomas E. Salter whose resignation became effective from the 28th March, 1990.
2. To consolidate the existing share capital being 1,735,000 shares of USD 100. - each, by changing the share nominal value to obtain 173,500 shares of USD 100. - each.
3. To reduce the par value of USD 100. - each down to USD 21.59. - per share to reflect the write down of the value of the investments of Sunbelt Holdings subsidiaries in the real estate market and to compensate their consequent losses.
4. To waive the shareholders' preferential subscription rights.
5. To authorise the directors of the Company within the limits of the authorised capital to increase the share capital from USD 3,711,165. - by an additional 7,000,000. - to USD 10,711,165. - by issuing 327,256 additional shares to rank pari passu with 173,500 shares as per resolution 2.

Shareholders should note that the three remaining directors of the Company have conditionally tendered their resignations and that, as a consequence if the resolutions 2-5 inclusive are not all passed then in addition the following resolutions will be put to the meeting:

6. To accept the resignations and to grant discharge to the three remaining directors, Mr Tor Andersen, Mr Tore Dietterud and Mr John Graham.
7. To put the Company into voluntary liquidation and to appoint a liquidator.

Shareholders should note that certain of the loans advanced by third parties to subsidiary companies and for which the Company is guarantor are in default, and that the respective lenders have already commenced proceedings to realise their security.

A memorandum to shareholders setting out all the proposals in detail is available from the Company at its registered office at 7, rue Pierre d'Aspell, Luxembourg, and from the office of its principal US subsidiary Sunbelt Holdings Inc from Gateway 425 North, 44th Street, Suite 375, Phoenix, Arizona 85008.

The Board of Directors.

UK COMPANY NEWS

Three operational directors take daily control
Mrs Fields recovers to \$1.5m

By Andrew Hill

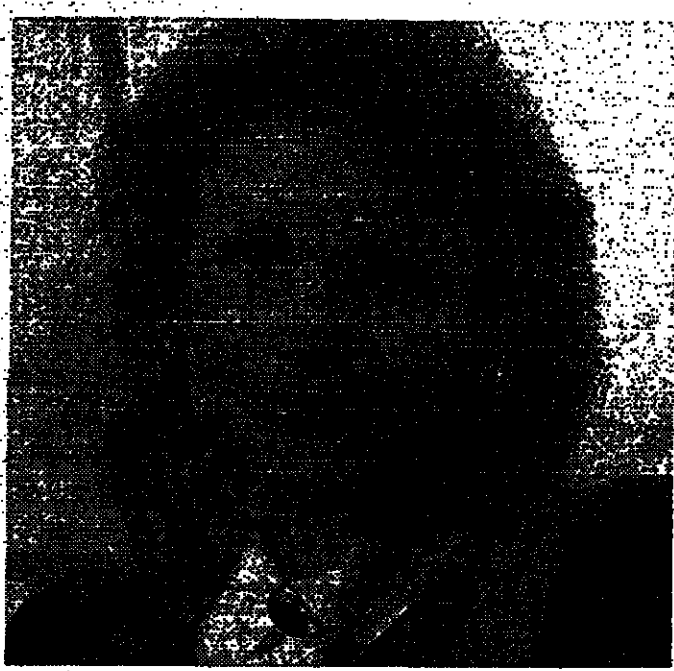
MRS DEBBI FIELDS and her husband Randall, founders of the Mrs Fields cookie and bakery empire, have decided to delegate day-to-day management of the group to three operational directors.

The group yesterday announced a recovery from the disastrous 1988 performance, when it lost nearly \$15m after an ill-judged expansion of the US cookie chain. In 1989, Mrs Fields, which is quoted on London's USM although most of its operations are in the US, made \$1.5m (\$240,000) before tax, on turnover of \$130m (\$100m).

Key management responsibility is now in the hands of Mr Larry Holman, who joined as senior vice president last October, Mr Paul Baird, director of operations since March 1989, and Mr Tim Pierce, vice president of finance. They sit on a newly-created executive committee with Mr and Mrs Fields, still chairman and president respectively.

The first indication that the founders were loosening hold on the reins came in January, when a licensing agreement with Marriott Corporation was announced. It allows Marriott to produce and sell Mrs Fields products through its stores. "It is the first time Debbie has let the name go - it is her baby," said Mr Baird.

The group said it had cut



Mrs Fields' Marriott link should involve opening 60 more outlets

corporate overheads from \$19.2m to \$16.1m, although interest depreciation and amortisation charges rose again from \$14.6m to \$18.8m.

The Marriott agreement, which should involve the opening of at least 60 new Mrs Fields outlets in the next five

years, is one example of the group's new strategy of brand-name exploitation.

Mrs Fields reported earnings of 1 cent per share last year, against a loss of 12.7 cents, and has yet to resume paying dividends. The profit included an exceptional gain of \$1.21m.

Dowding & Mills lifts profit 25%

By Jane Fuller

DOWDING & MILLS, the electrical and mechanical repair company, returned a 25 per cent increase in pre-tax profit to \$5.6m for the six months to December 31.

Sales, which are 80 per cent in the UK, advanced 13 per cent to \$35.87m, demonstrating that it had so far weathered the tougher economic climate. Mr Jim Cole, chief executive, said the company had continued to improve margins by controlling overheads and improving efficiency, and the results included a good first contribution from an Australian acquisition.

The group was insulated to some extent against trading difficulties in the UK by its spread of customers, from power stations and car plants to bakeries and laundries.

In February, the company acquired Microwave Systems, which was expected to contribute a few hundred thousand pounds to the full-year results. A month earlier it also bought Calibration Systems.

Mr Cole said year-end gearing was expected to remain below 10 per cent.

Earnings gained 20 per cent to 3.65p. The interim dividend is 1p (0.8p) and the company said the final dividend should be not less than 1.67p.

Reshaped Godfrey Davis at £21m

By John Thornhill

GODFREY DAVIS (Holdings), the car dealing and laundry group which pulled out of a takeover bid for Sketchley earlier this year, reported a 26 per cent profit improvement in 1989.

Pre-tax profits grew from \$17.09m to \$21.52m on turnover 19 per cent ahead at \$308.67m (\$256.39m) as all the company's divisions reported improved performances.

The results were exactly in line with the forecast made with the bid for Sketchley, and the shares held steady at 142p yesterday.

Godfrey Davis's businesses were substantially reshaped during the year. The plastics division of Falcon Industries was sold in April and three acquisitions were made in the workwear, catering and laundering fields. These did not make any contribution at the pre-tax level.

Mr John Ivey, chief executive, said the Sketchley bid had largely been an opportunistic move which did not alter the group's overall strategy of disposing of its motor-related businesses. "We think the right way ahead is to dispose of those

areas of the business which we signposted during the Sketchley bid and to reinvest the proceeds in the service area concept" he said.

Godfrey Davis's interests in textile maintenance were the strongest contributor to profits, producing \$11.13m (\$9.23m) at the pre-tax level. Site services advanced strongly to \$4.6m (\$2.55m) while support services grew to \$1.1m (\$558,000).

The company's interests in the motors field - comprising of four Ford motor dealerships and a contract hire fleet of 12,000 vehicles -

reported pre-tax profits of \$10.16m (£7.86m).

Mr Neil Benson, chairman, said the board took a cautious view of the year ahead but was hopeful that the impact of a weakening economy could be contained to a minimum allowing continued progress, albeit at a more modest rate.

An extraordinary gain of \$3.31m (£12.8m) resulted from property disposals. Earnings per share grew to 16.69p (15.16p). A final dividend of 5.25p is recommended to bring the total to 7.95p (7p).

Wardle Storeys falls further to £5m

By Clare Pearson

PRE-TAX PROFITS of Wardle Storeys, the plastic sheeting and survival equipment group, were down again in the six months to February 28.

At £5.03m, they were £800,000 lower than in the comparable period, which in itself marked a sharp reversal in the company's earlier strong growth record.

However, Mr Brian Taylor, chief executive, stressed that the results represented a big improvement on the second half of last year, with profit

after exceptional items and earnings per share more than trebling from levels seen at that time.

Mr Taylor said corrective action, outlined when the full-year figures were announced last November, was "more than ever applicable and... being pursued with vigour." This included the reappraisal of stock and efficiency drives, as well as a management shake-up which gave rise to sweeping board changes.

The interim dividend is unchanged at 4p. Earnings

per share were 13.2p (15.3p). Turnover was £40.59m (£39.23m).

The technical products (plastics) division made operating profits of £2.49m (£3.23m).

Industrial action by UK car workers hit sales to the automotive industry, more than offsetting the benefits of volume recovery in the industrial marketing activities. This came after a fall in volume last year as European competition stepped up.

Mr Taylor said activity was

still below normal levels and it remained difficult to recover cost increases by way of price rises. The second half would see significant capital expenditure.

Safety and survival equipment put in £736,000 (£1.02m). Mr Taylor said RFD Inflatables had yet to feel the full benefits of corrective action, which included increased spending on product development, taken last year. But GQ Parachutes had an excellent first half and, with a strong order book, the outlook was encouraging.

Sherwood Computer in profit again with £2m

By Alan Cane

RIGOROUS PRUNING of loss-making activities returned Sherwood Computer Services to profit in 1989 following a disastrous 1988.

The company, which develops computer software and systems with a heavy emphasis on the insurance and financial services markets, reported pre-tax profits of £2.02m for the year, compared with a loss of £1.96m in 1988.

Turnover, however, was down to £25.4m from £28.53m, reflecting the disposal of unprofitable parts of the business.

Fully diluted earnings were 25p (loss 36.8p). The final dividend is 3.75p for a total of 4.5p. No dividend was paid previously.

Principal reason for the turnaround in the group's fortunes was the disposal of Sherwood Mitronix, a subsidiary specialising in motor insurance systems that lost £320,000 in 1988 and a further £220,000 in 1989. It was sold to Policymaster for an initial £150,000. The company also disposed of a jointly developed product, Slipstream, to its joint developer, the consideration was about £750,000 more than the revenue the group was expecting from

product sales in 1989 of £0.4m. Sherwood Public Services, which deals with software for local authorities, was returned to profit following a deal with International Computers (ICL). This provided for the replacement of Sherwood products dealing with rent, rates and housing benefits with ICL systems. Sherwood is also marketing ICL's community charge software to its local authority customers as part of the deal.

Mr Richard Guy, chief executive, pointed out that the financial services division, which had suffered a loss in 1988 as a result of general softening in the sector, was now performing well. The group was collaborating with the major Anglo-French computer services company Sema to market personal pensions in Spain in a deal worth about £2m over three years, and with Macromedia in Australia in a similar deal worth £1.3m over three years.

The group's commitment to open systems based on the Unix operating system is shown by an investment of £2m in Sceptre, a modular insurance systems developed for Lloyds underwriters.

'Difficult trading' sees Albert Martin fall 42%

ANOTHER EXAMPLE of the downturn in the UK clothing industry was yesterday provided by Albert Martin Holdings, a supplier to Marks and Spencer.

In 1989, the Nottinghamshire-based group sustained a 42 per cent decline in taxable profits, from £2.77m to £1.61m, on turnover ahead 12 per cent to £69.11m (£61.61m).

The company blamed the setback on increasingly difficult trading and the effect of interest rates on consumer confidence.

Net interest charges

increased to £1.22m (£649,000) reflecting implementation of the group's investment programme; directors stressed, however, that working capital had been kept under control. Earnings per 20p share dipped to 6.6p (14.2p), and the recommended final dividend is cut to 2.4p for a total 0.75p lower at 4p.

An extraordinary charge of £987,000 represented rationalisation costs.

In his Annual Statement to shareholders, the Chairman, The Earl of Airlie, pays tribute to Mr B. C. Marshall, who retired as Chief General Manager of General Accident on 31st December 1989. Lord Airlie says: "Over a period of more than eight years under Mr Marshall's leadership, the Corporation achieved outstanding business development and financial growth." Mr W.N. Robertson has been appointed Chief General Manager in succession to Mr Marshall.

The Chairman also welcomes Mr Barrie Holder to the Board. Mr Holder was appointed a Director and General Manager of the Corporation on 1st April 1990.

Referring to the Board's policy of dividend progression, Lord Airlie says this takes into account not only the earnings fluctuations experienced in the composite insurance market but also the Corporation's financial strength and the underlying quality of its insurance portfolios.

Lord Airlie concludes his Statement on a confident note: "Despite more difficult market conditions, and the occurrence of further storm losses this year, the Corporation is, with its strong financial base, well placed to face the future with confidence."

"The new decade promises a period of significant change, which will affect many of the markets in which we operate. Our strategies and structures are accordingly under comprehensive review, to support further profitable advancement based on the considerable financial strength of the Corporation."

NELSON ROBERTSON,
CHIEF GENERAL MANAGER

In his Operational Review for 1989, Mr Nelson Robertson, Chief General Manager, says that adherence to a disciplined yet responsive approach to underwriting has enabled General Accident to absorb adverse developments in the UK market without a serious effect on overall performance. This approach will continue within a strategy designed to achieve profitable growth whilst maintaining high standards of customer service.

Mr Robertson also sees signs for encouragement overseas. General Accident has again outperformed the market in both North America and the increasingly important Pacific region. And with new branch offices planned for Portugal and Spain it will be established in all the principal European Community markets.

Life operations had a good year, Mr Robertson says, with increased bonus declarations ensuring that General Accident policyholders continue to share in the prosperity and strength of its Life fund. Estate agency operations, on the other hand, had a very difficult year, although they continue to produce a substantial volume of new life assurance business.

Mr Robertson concludes on a cautious but confident note. The prospects for early underwriting improvement are uncertain but the Corporation remains well placed to benefit from any upturn in the market, he says.



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FINANCIAL TIMES SURVEY



An attempt is being made to turn South East Wales into a leading financial centre that will

strengthen the principality's economy and play a wider role in global business affairs.

Anthony Moreton investigates the success achieved by the initiative

Foundations for an empire

TWO years ago Mr. Peter Walker, Secretary of State for Wales, invited 150 of the great and the good in the City of London to a dinner at the Guildhall in the heart of their patch to tell them of his plans to develop South East Wales as a leading financial centre.

Two years on, Mr. Walker will host another dinner, this time in Lancaster House, to report that strong progress had been made, and that the initiative will be extended.

That South East Wales is now a magnet for companies in the financial services sector can be seen from a list of those who have arrived. N.M. Rothschild, the merchant bank, is perhaps the five-star name but National Provident Institution, Banque Nationale de Paris, TSB's general insurance arm, Société Générale, Noble Lowndes, Dun and Bradstreet, Sedgwick James, Willis, Wrightson and D.C. Giffner have opened or taken-over operations in the region.

This has led to a significant increase in numbers employed in the sector. Over the past two years some 3,500 jobs have been created in the industry. A large proportion of these have come from the 20 companies that have moved into the area,

but native players have also played a part.

Mr. Walker likes to point out that there are now more than 70,000 employed in financial services throughout Wales but Mr. Phil Morgan, head of the financial services initiative at the Welsh Development Agency, which is orchestrating the campaign to boost the sector, adds "that figure will be over 100,000 before the 1990s are much older".

Cardiff has for the past two decades had a small financial sector, the origins of which can be traced to the Commercial Bank of Wales, set up in 1971 by Sir Julian Hodge. Sir Julian "not only showed it was possible to operate in Cardiff and succeed," says Mr. Tim Rees, partner in Coopers & Lybrand Deloitte, "but also that you did not have to go to London to buy the best advice."

Even before Sir Julian Hodge there was the nucleus of a financial empire. The medium-sized Principality Building Society - 29th largest in the building society league - has been in the city since 1890 and there is a small society, the Monmouthshire, in Newport. More recent newcomers before the Walker initiative include Chemical Bank, which arrived



South East Wales FINANCIAL AND PROFESSIONAL SERVICES

seven years ago with a back-office operation, Chartered Trust, a wholly-owned subsidiary of Standard Chartered, which employs more than 1,000 in Cardiff and the AA's insurance services.

Recent years have also seen the strengthening of all the other professional activities: only Arthur Andersen is missing from the leading accountants and there are at least four leading law firms that undertake any of the work done in London. "There is no need to go outside for the very best advice," says Sir, formerly

Investors in Industry, director, Mr. Chris Rowlands.

Last month 3i was involved in two management buy-outs, each around £2m - Oakley Evans, based in Birmingham, and Hilti Contracts, a Manchester concern - in which all the work was done in Cardiff.

The strength of the financial sector is based on easy communications with the rest of Britain, ample labour supply, low staff turnover, much lower costs than in the south-east of England, new buildings and the fact that Cardiff is a centre of government. "Its role as a

home of government is vitally important," says Mr. Roger Paine, Cardiff's chief executive. "It gives enormous stability to the city and puts us on a par with Edinburgh."

Low labour turnover is highly important in attracting new companies, he believes.

"The demographic factor is perhaps our most important attribute," says Mr. Phil Morgan. "There is a latent pool of labour that is being topped up by incomers. Rates of activity among women are probably 40 per cent below the national average so it will be a long

time before we see shortages of labour emerging."

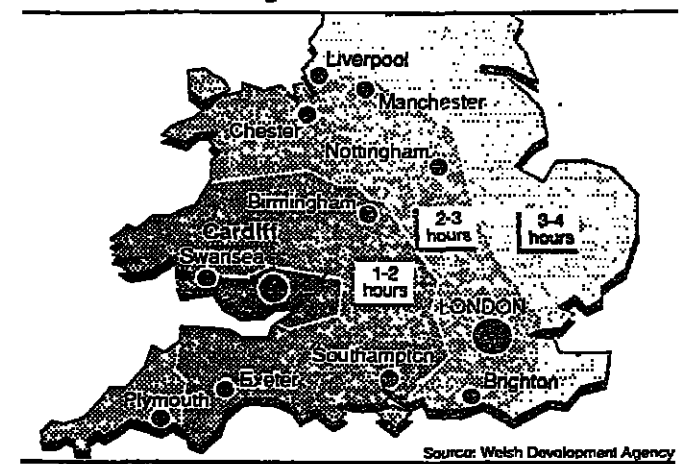
It is economic factors such as these that have led incomers to enthuse about the economy. "The opportunities are greater in Cardiff and Wales than elsewhere," says Mr. Glynne Clay, managing director of N.M. Rothschild's Cardiff office. And Mr. Stephen Wood, regional director of insurance broker Sedgwick James, believes that conditions in South Wales are ripe for a big expansion.

So far the financial services initiative has brought greatest economic benefit to Cardiff. Newport has not gained nearly as much, to a considerable extent because it has not been flush with modern in-town offices, a situation that is now being rectified.

In this survey

Banking; Broking; Venture capital	2
Accountancy; The law; Population trends	3
Profiles: Companies House and ECGB; The newcomers	4

Travel times by car



Source: Welsh Development Agency

economic benefit to Cardiff. Newport has not gained nearly as much, to a considerable extent because it has not been flush with modern in-town offices, a situation that is now being rectified.

The town, however, has good, modern out-of-town sites and among its captures have been TSB, which chose Newport for its general insurance arm after looking at 60 other places around the UK, and the Patent Office. The Welsh Development Agency is paying particular attention to Cleppa Park in Newport, as well as sites in Cwmbran and Pontypool just outside.

The WDA's Mr. Morgan believes development of edge-of-town sites will help South East Wales avoid the errors of places such as Bristol and Reading which have sucked incomers into their centres, thereby helping to recreate the sort of conditions companies have fled from in the London area.

Cardiff, in particular, is fortunate in having some 2,700 acres of former docklands on the point of being developed. Plans outlined by the development corporation masterminding the transformation of this run-down area postulate between 3m and 4m sq ft of offices being built, providing up to 16,000 jobs.

But if the area is to have financial "bottom", individual industrialists also have a role to play. In particular, their level of financial sophistication has to be improved.

Too many companies and too many industrialists take the easy, short-term view of their operations. Instead of developing their businesses long-term to the point where they can get

a stock listing, many sell out at the first substantial offer. The number of listed companies can almost be counted on the fingers of two hands and few seem to want to emulate AB Electronics or steel-products group ASW, which have grown into significant forces within their respective industries. The arrival of Welsh Water and the imminent arrival of South Wales Electricity, as large, locally-based concerns should help the financial infrastructure enormously.

Another weak point is the provision of venture capital where, in spite of the success of 3i, demand is low. The Welsh Venture Capital Fund was set up several years ago but its expansion, long promised, has never materialised.

There are also too few internationally recognisable names like Rothschild. "We need much more representation from overseas if we are to have credibility as a financial centre," says Mr. Morgan. "Once one comes, others follow."

He looks, slightly enviously, at Birmingham, where one Japanese bank opened a representative office and now there are half a dozen. He hopes part of the answer may lie in the creation of the European single market in 1992 which should offer "a great incentive for European banks to establish a presence in the region."

"The foundations have been laid in South East Wales for the creation of a big financial services industry. More heavyweight names would help give the area 'weight'. Only then will it become the leading British financial centre that Sir Julian Hodge wanted to see and which Mr. Peter Walker is equally keen to see achieved."

CHILTERN

DECISION

Cardiff, July 1989

PROJECT: Location of first UK regional office.
CRITERIA: Market for specialist taxation services. Impressive record of commercial expansion.

NPI

NATIONAL PROVIDENT INSTITUTION

DECISION

Cardiff 1988

PROJECT: Staffing and accommodation needs of a leading life insurance business with substantial growth plans.
CRITERIA: 77,000 sq. ft. Offices. City centre site. 500 people. Quality environment. Strong local support. Communications.

N M Rothschild & Sons Limited

DECISION

Cardiff 1988

PROJECT: New branch office offering a full range of merchant banking activities.
CRITERIA: Fast growing local economy. Banking and corporate finance opportunities.

TSB

TSB Trust Company Limited

DECISION

Newport 1987

PROJECT: Relocation and expansion of General Insurance Division.
CRITERIA: Up to 300,000 sq. ft. purpose built offices. 2,000 people. Ease of communication. Scope for expansion.

ISGSI

SECURITY SERVICES LTD

DECISION

Cardiff 1989

PROJECT: Location of independent settlement company.
CRITERIA: Availability of skilled staff. Opportunities for expansion. Ready available office accommodation. Good communications.



Up in the nineties

South East Wales is on the up and up. It's easy to see why.

As a financial services location, the area offers many key advantages. Such as the important upward trend in the number of available staff, set to increase by 80,000 over the next decade. One of the lowest levels of skill shortages in the country. The wide choice of high specification office accommodation, at far lower cost than those in London and South East England. And the active

co-operation between the public and private sector is creating exciting proposals for business park developments, along the M4.

The opportunities for an enviable lifestyle - with excellent housing, short commuting times, unrivalled leisure resources, easy access to some of the finest coastline and countryside in Britain and the first-class attractions of the vibrant, cosmopolitan capital city, Cardiff. The opening of the World Trade Centre Complex in Spring 1991, combined with the

extensive hotel, exhibition and conference facilities and the prestigious Cardiff Bay development will further boost the area as a major international centre.

The mood is upbeat. The sustained economic upturn, the strategic location and pro-business attitude are creating the optimum climate for success in the nineties.

To find out how your business can look forward to a brighter outlook in South East Wales, contact Phillip Morgan, Head of Financial Services on

(0222) 222666, or write to him at the Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff CF1 3XX.

SOUTH WALES EAST WALES

FINANCIAL SERVICES LOCATION

S E WALES FINANCIAL SERVICES 2

Anthony Moreton on the arrival of a new broker

More muscle emerges

AT THE start of this month Robert White opened its doors for business in Cardiff, the first broker to begin operating in the city since Murray & Co, now part of Allied Provincial Securities, started in 1979.

White, the Edinburgh-based broking arm of Hill Samuel, is being widely welcomed in Cardiff. "Its arrival is very good news for Cardiff," says David Jones of Brown Shipley Securities, and Allied's Duncan Cantley adds that "Cardiff is underdeveloped and the arrival of a newcomer is to be welcomed because it puts muscle back into the city."

"We have chosen Cardiff," says Barry Tyler, managing director of Robert White, "because the government's financial services initiative for the area has highlighted its strength. Investors outside Wales now realise you don't commit suicide when you cross the Severn Bridge and there is a growing confidence in the economy of South Wales."

The welcome for White, which at the end of this month changes its name to Bell Lawrie White, following a merger, also arises because there is a feeling it indicates a halt to the long decline the community has experienced in the Welsh capital.

Mr John Downing, of NIG Lyndon, remembers when he started his broking life in 1959 there were 19 firms in Cardiff, four in nearby Newport and another five in Swansea. Apart from a NIG office in Swansea the four in Cardiff are all that remain. Mr David Jones rattles off their names: firms such as Littlejohn, Colin Mason, Clark Peacock and Robbins.

"This was a very lively area until the 1960s," Mr Duncan Cantley adds nostalgically. "Then rationalisation and amalgamations took the number right down to two - Lyndon and Heseltine and Moss - before we started Murray. My father was, at the time, a director of 14 listed companies. That gives an idea of the activity in South Wales. With one exception, they have all gone."

Lyndon is now part of the National Investment Group and Heseltine and Moss has joined Brown Shipley Securities, like Allied Provincial part of the groupings that have taken place since Big Bang three years ago to protect the role of the regional broker.

Robert White is therefore arriving at a crucial time in the affairs of the South Wales economy. Hill Samuel has been gradually extending its regional broking arm to take account of the changed circumstances following Big Bang which saw London abandon private clients in many instances.

It has opened offices in Aberdeen and the City of London and last year pushed west as far as Cheltenham. "We are bringing a quality operation to South Wales," Mr Tyler says. "Our intention is to target specific areas and seek to develop business within them."

"The traditional path for an investor when he wanted advice was to get on the phone to London. But London has become costly even where it is still offering the business and we intend to offer a quality service at a reasonable price."

Mr Duncan Cantley agrees the broking business will grow. "We have come out of a terrible period of demoralisation as our industries collapsed. Of the 14 boards my father sat on only one, AB Electronics, now exists. But as the economy gathers strength companies are prospering and they will want to do business locally."

Brown Shipley's Mr Jones agrees. "Cardiff is seen now as one of the brighter spots in the country. People are coming in here to invest where once they just took their money and their companies out."

But the region will only grow, NIG's Mr Downing believes, if brokers stick to their last. "There are all sorts of people trying to climb on the stockbroking bandwagon now," he says, "and to the ordinary investor they may even appear to be brokers. But they are little more than receiving houses. Brokers are people who give good advice and the only way to stay in front of the field is to ensure that advice is top quality."

NIG has also joined forces in Cardiff with Société Générale Securities to sell settlement services to third parties. This arose out of the work NIG was doing itself in Cardiff where, at one time, all the group's back-office settlement services were handled in the Welsh city. That back-office work has been moved off to Dorchester and Doncaster and Cardiff is, sepa-

ately, home for the SGS-NIG firm that has a staff of about 60.

Cardiff, though, still has its problems even if there is a lot of new money about. For all its glister at the moment the area is not particularly sophisticated in terms of investor involvement. Local entrepreneurs are reluctant to bring their companies to market, many preferring to sell out to national combines rather than emulate the AB Electronics of this world.

Unless they can be persuaded to look for an outlet on the market the scope for further expansion among the broking community in South East Wales is therefore limited. Indeed, most of those actively engaged think there is little chance of regaining the sort of glory days in the 1950s that Mr Downing fondly remembers or even emulating Bristol with its nine firms and its own Royal Exchange.

Mr Barry Tyler agrees that four or five firms is probably the optimum. "With our arrival the market is pretty well full. I would think the area has got just about the number of brokers it needs."

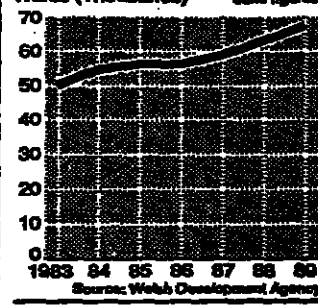
The difference between Cardiff and Bristol, its near neighbour across the Severn, is not just a matter of size. "There are quite a number of large companies in the Bristol area. There is also a lot of old money about," one broker says. "You have only to look at the merchant venturers and see what role they play in the local economy."

"New money is certainly growing in Cardiff but in terms of old money the Welsh capital is a long way behind Bristol. It is no coincidence that Bristol can even sustain one market-maker while we have been hanging on for our existence."

In 20 to 25 years' time Cardiff might be able to challenge Bristol if its economy continues to rise strongly. "If the private investor is looked after then there is hope for the future," Mr Duncan Cantley says. "He has been rather neglected in the past. It was our fault. Before the '87 crash we were all so busy with new issues and privatisation and the like the private investor had a raw deal. We must now work hard to get this client back and if we do we have a great future here in Cardiff."

Employment in banking, insurance and finance

Wales (Thousands) June 1989



THE Bank of Wales occupies just about the best position in the centre of Cardiff, overlooking the walls of the Norman castle as well as the city's main shopping area. But there is no sign on the door or the forecourt that this is the bank's home.

"That's the way we want to keep it," says Mr Eric Crawford, chief executive. "We don't want cross-payment customers. We are not seeking to operate in that sort of market. We are a niche bank and our focus is, very sharply, on the business community."

In pursuit of this strategy the bank is even closing existing high-street branches, reopening them off-centre. This has already happened in Cardiff, is in the process of happening in Swansea and will happen before long in Carmarthen. In Wrexham the branch will be closed at the end of this month and re-sited at Queensferry, 11 miles away from the

main town in north Wales, on the side of the motorway.

Similarly, the bank is building a branch on the Royal Welsh Agricultural Society's showground in Builth Wells, in the heart of the countryside, to cover across the border into Hereford and Shrewsbury. A recently-opened branch in Bristol was sited just where the M23 motorway ends in the city.

"The aim of the bank is to provide one service for our personal customers and another service for our business customers," says Mr Crawford. "But they must be interlinked because we are not looking for the individual who wants to move to us from one of the clearers."

"We don't mind having the high-income personal account but most of the personal accounts we have arise out of our links with their business."

The Bank of Wales is not, of course, a Bank of England in the sense that the Bank of England is the Bank of England. It began life within the Hodge empire, run by Sir Julian Hodge, a prominent local businessman in the financial services sector, and for many years the Bank of England insisted on its name being the Commercial Bank of Wales.

Although this more accurately described its functions even than Sir Julian, and the

local community, chafed at such limitation, as they saw it, inherent in the title. The change came at the end of the 1980s when the Bank of Scotland took a 75 per cent stake in the bank, leaving the younger members of the Hodge family to run the small Julian Hodge Bank and the Carlyle Trust.

"The link with Edinburgh is very important for us," Mr

The arrival of another heavyweight City name is probable in the future

Crawford adds. "We can plug into their services and the connection gives us the sort of link with a major capital investment that a bank of our size could not normally have."

The Bank of Wales is not the only prestige name in Cardiff. Two years ago N.M. Rothschild opened an office in the city, only its second outside London, in response to what it saw as the growing economy.

"Banking in south Wales has matured enormously," says Mr Peter Davies, corporate director. Rothschild's arrival is a sign of that maturity.

The claim about increasing maturity is repeated by Mr Keith Hodge, corporate direc-

tor of Barclays, the leading clearer in South Wales. "In the last four to five years banking in south Wales has become much more professional and the customer can certainly now get as good a service in the area as in any part of Britain. People don't need to look over the Severn Bridge now for their needs."

But if there is maturity in the provision of services south Wales is still quite an unsophisticated area from a personal finance and business point of view, Mr Denis Ellis, corporate director at National Westminster, says that. "Too many businessmen take a short-term view and sell out to the first bidder rather than develop their concern to the point where it can be taken to the market for a listing."

"Or they react to a suggestion that they might raise equity finance by saying: 'Why should I give away part of my business?' They don't realise how much better it might be for their company to have equity involvement rather than heavy debt."

Barclays' Mr Hodge agrees that "people sell out too easily." And Mr Davies adds: "We have to convince them that the short-term view is not in their best interest."

The business place is also unsophisticated in that too few

people are aware of what merchant banking is all about. Mr Davies, at N.M. Rothschild, is the first to feel the effects of this. "We are in the market to finance those companies which have a definite chance of being listed," he says, "but all too often the first question is about what a merchant bank can do for a particular company."

Such a lack of sophistication and the fact that most venture capital needs range between £150,000 and £500,000, a field in which 31.8 per cent of strong, leads to the question of whether there is room for more heavyweight bankers in the area.

Any number of big names have made the short trip to the Welsh capital to see what is happening on the ground. The arrival of another heavyweight City name is probable in the not-too-distant future. But most bankers in the area believe there is a danger of over-banking the region.

N.M. Rothschild's Mr Davies does not subscribe to this view. "Another big name does wonders for the area's image. Look at Manchester where so many of them are sited. It's an understandable argument but on balance I think Cardiff could accommodate some more top-class names."

Anthony Moreton

Nikki Tait discusses the venture capital market's future

Chicken and egg situation

THE venture capital market in South East Wales poses some intriguing questions.

Compared with other regions in Britain, it is relatively small - at least in terms of funds provided locally. Essentially, there are three main Cardiff-based sources of development capital: the Welsh Development Agency (WDA), the Welsh Venture Capital Fund, and 3i.

The WDA's activities range from loan to equity funding, and it claims to be interested in funding both in the "equity gap" - that is, the £50,000-£250,000 commitments that tend to be cold-shouldered by some lenders - and at the expansion capital stage. How-

ever, over the past year its role on the equity front has been fairly subdued.

The Welsh Venture Capital Fund was set up in the mid-80s. Its management company is owned jointly by the WDA and Development Capital Group, part of City-based Lazard Brothers. It also handles some WDA funds - in the initial launch, the agency put up £1 for every £4 contributed by the private sector - but operates separately. "We do cross paths, but only at the margin," says WVCF. Two of the initial investments - involved both institutions.

Having started at £5.5m, the fund today has around six investments, having realised

about five and seen a similar number go under, plus some £2m of funds for investment. Investments have ranged from insurance broking to biotechnology and can involve anything from £100,000 to £750,000, with an average of £250,000.

Meanwhile, 3i has been represented in the area for around 30 years. It claims its investment into the region amounted to around £18m in the year to March 1989, and that the past three years have seen fairly high inflows. As with the group generally, 3i invests across a broad spectrum.

And there, in terms of local, by-based expertise, the list ends. This contrasts sharply with, say, Birmingham, where

it is possible to list more than six local players in the venture capital market and local syndication is commonplace.

What is the explanation? On the one hand, some of the existing capital suppliers point to the structure of industry in the area - in particular, the former dominance of coal and steel, and a fairly restrained "private company" market.

On the other, there is the issue of "Welsh character", with some suggestions that the "entrepreneurial" tradition is not particularly strong in the region.

This is controversial ground, but 3i, for example, notes that a high proportion of its inquiries actually come from

non-Welshmen, attracted to living in the area.

The three main players do not believe the region is starved of venture capital funds - even if the high-risk, small-scale end of the market is, as usual, more tricky. Other lenders can be enticed into the region, but largely via either City or other regional offices making the development of any purely local syndication market difficult.

"They tend to hop on a train from London, rather than seeking situations locally," remains one lender.

This is a question mark over the future. "Chicken and egg," suggests one player, expressing the thought that more funds would probably create more activity - with the added caveat that if bank lending ebbs, there may indeed be a need for more resources. "There is certainly room for one more significant player here," concludes another.

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S E WALES FINANCIAL SERVICES 3

Rachel Davies on a judge who is exciting the legal profession

Surge in commercial work

JUDGES ARE not often the subject of enthusiasm. On the contrary, they generally make splendid Aunt Sallies for a pressless public.

Wales, however, has a judge who is generating not only enthusiasm, but excitement - who is described by local solicitors and bar as "an outstanding success", "immensely popular", "just what Wales needs".

Judge Hywel Moseley QC was appointed in February 1989 to sit as a permanent Chancery judge, dividing his time between Cardiff and Bristol. In that one year Chancery Court work has increased by 176 per cent, covering companies, light commercial and all the usual chancery matters other than patents, tax and bankruptcy. Fifty-five writs were issued in Cardiff in the first 10 months of 1989 and 135 in the first 10 months of 1990. The figures are similar for Bristol. Now the lists are so full that a new judge is to be appointed - probably not before January.

So far the work, apart from one County Court case, has been entirely High Court work. At the moment there is enough to justify one-and-a-half High Court judges between Bristol and Cardiff. By the end of the year there will be enough for two sitting all day.

Where do the cases come from? Some of it is embolism Queen's Bench/Chancery work, attracted away from the Queen's Bench by the new court's reputation for speed and efficiency. Some of it is work that once went to London. Practitioners are expressing a great deal of confidence in the Cardiff jurisdiction.

It is modern and accessible. Hywel Moseley is in touch. By July last year he had set up a "user's committee" to ascertain the needs of court staff and practitioners and increase the efficiency of the jurisdiction. Also by July, he had started a Chancery Court newsletter for circulation to practitioners, with information

on increase in business, listing, time estimates, vacation business, and whatever else might be relevant to court use.

By November he had started up a committee of the Institute of Welsh Affairs, aimed at promoting the growth of the local bar. With the co-operation of the university it is undertaking a research project into the development of the chancery/commercial bar in Cardiff.

Hywel Moseley has become a victim of his own success. Having started his reign sitting for 30 minutes in a week, his lists are now full to beyond the ceiling of 1991 - well over a year's work. Unless the new judge is forthcoming speed will cease to be a feature.

"According to chambers' clerk Mr. Charlie Crookes (described as "probably the best clerk in the country"), commercial/chancery work coming into chambers has increased 50 per cent in the last six months. He expects further expansion next year.

This is borne out by solicitors who confirm that they are sending more of this type of work to chambers. Some is still going to London, and will continue to do so until Cardiff chambers can lay claim to specialists who are able to concentrate entirely on the commercial/chancery side.

Roger Thomas, senior partner of Phillips & Buck, big in finance, companies, insurance, and other commercially-related matters, with connections in the Middle East, Japan, and Europe, says that increasing prosperity among local businesses, overseas investment, and relocation within the UK, is responsible for the surge in local commercial work.

Four-fifths of his firm's work is from business clients. It does a lot of its research and pleading internally and is still inclined to go to London for specialist advice. It likes to use the local bar and knows the expertise is there but, says Mr Thomas, the London bar is organised to spend more time

in chambers whereas regional bars spend all their time in court. He says "it needs an internal decision on the part of the bar that they will be available".

John Bowen, senior partner of Morgan Bruce, agrees. There has been a 25 per cent increase in his firm's commercial and company work in the past few months - more staff have been taken on but more are needed to cope with the expansion. The firm has had to build larger premises in the city centre - where its new visibility in itself has brought in more work. Their international contacts are spreading and they are in the process of linking up with firms in other population centres - London, Edinburgh, Bristol - to form a network of services and contacts for commercially-orientated and private work in the EC. More will come no doubt from their participation in a "Europartnership" (a sort of business fair for small companies) to be held in Cardiff on June 14 and 15.

A lot of the new work is advising, drafting, negotiating work at this stage and is therefore non-contentious and will not swell the local court lists for many years to come if at all. Nevertheless, says Mr Bowen, Morgan Bruce sends more work to the Cardiff bar than it did a year ago "because of

Hywel Moseley's court". Like Roger Thomas, he says the tendency to go to London for specialist advice will continue until the local bar can make experts available in chambers by keeping them out of court.

Gwyn Davies, of Edward Lewis & Co, another commercial firm which has doubled in size in the last two years, also agrees. He says his firm sends little work to the local bar because of the lack of specialist chambers.

Mr Crookes describes it as a chicken-and-egg situation, because he cannot keep barristers out of court until he can be sure of the chambers' work. He has able people who are increasingly specialising, and foresees that in 18 months some of them will be doing just commercial/chancery work. He says the will, incentive and talent is there, and the Cardiff bar is now in a position to offer the expertise solicitors are looking for in the commercial field.

The problem of creating specialist chambers is one of the topics for the IWA's Cardiff bar research project.

Practitioners seem to agree that all the necessary ingredients are there - an influx of commercial work, an able bar and a good court. The task appears to be one of time and synchronisation.

THE latter half of the 1980s was a period of great growth for the UK's accountancy firms. Powered by the dynamism of their clients, the vitality of the economy as a whole, the vigour of the stock market, the bigger firms managed to grow their fees by as much as 20 to 30 per cent a year for each of the past five years.

The growth did not come from auditing, where fees have been slipping and margins dwindling as wage costs rose: it came from management consultancy, corporate finance and other services tied to levels of corporate activity and the vitality of the economy as a whole. Now, interest rates are high and entrepreneurial activity stifled, the economy is in the doldrums.

This is excellent news for the profession's insolvency practitioners, who now find themselves working harder than in 1974 or 1980-81. But for accountancy firms in general, plump with staff after years of expansion, it spells hard times ahead as demand slumps and competition intensifies.

The question troubling accountants in South Wales is whether they are likely to share in the slowdown experienced in the south-east and the City of London. The region has enjoyed a tremendous surge in the latter half of the decade, and demand for professional services increased accordingly. Is that demand now set to falter?

Partners in Cardiff firms seem optimistic: there is as yet no general fall-off in work in the region. Pointing to fee

David Waller looks at accountancy

Optimists in the majority

Income growth rates of 30 to 35 per cent a year over the past few years - better than the average for the national firms - they say the local economy has been extremely vibrant and as yet shows no signs of being dragged down by problems in the country at large.

The work done by the accountants in Cardiff and South Wales ranges from the audit of leading companies such as AB Electronics, TSB, Allied Steel and Wire, to computer consultancy (in which Ernst & Young has built a niche), to general consultancy (advising on inward investment by the likes of Ford, Bosch and the many Japanese companies which have chosen to locate in the area) and public sector work. Accountants advise on how to secure grants to set up in the area and, of course, they advise the smaller entrepreneurial companies.

A common complaint is that the only constraint to growth is a lack of qualified staff. But there is a faint suggestion of clouds on the horizon.

Tim Rees at Cooper & Lybrand Deloitte observes that his insolvency practice was "bubbling along quite nicely" - not normally a good omen for business conditions as a whole. Touche Ross, a third of whose South Wales practice comes from insolvency, is

experiencing buoyant demand for its services as corporate undertaker. And yet Mr Rees says that his instinct is that there are few large corporate collapses on the horizon than in previous recessions.

"One feels a sense of caution this year," acknowledges Steven Blackman at Ernst & Young. "There is no apparent deterioration in the local economy - quite the opposite in fact - but people can't help asking where the UK economy as a whole is going."

One local businessman pointed out that one of the factors behind the region's growth was the dynamism of the small, medium-sized businesses that sprang into being after the demise of the coal and steel industries. "They have grown precisely because they are small and flexible. It is not clear whether they are strong enough to survive a prolonged downturn in the economy: interest rates at 15 per cent are bad enough as it is."

"The current blip in the economy as a whole could not have come at a worse time for South Wales," agrees Mr Rees at Coopers. "But our clients do not appear to be under great pressure at present and I am sure they will get through all right."

The proposed Cardiff Bay Development is often men-

tioned. One accountant pointed out that a 3,000-acre development would be one of the biggest construction projects in the European Community. This is the sort of infrastructure project which gives a better balance to the region's economy than for the UK as a whole; and is also the sort of project which will attract numerous businesses to the area, and create huge fees for the accountants.

Meanwhile, local accountants are agog with excitement in anticipation of the long-awaited merger between Cooper & Lybrand and Deloitte Haskins & Sells to form Coopers & Lybrand Deloitte. Competitors say this is likely to be a much more disruptive affair than the link-up between Ernst & Whinney and Arthur Young.

Mr Rees says the two firms are wholly compatible: competitors disagree, pointing to Deloitte's century-old pedigree in the region in contrast to Coopers which is something of "an aggressive upstart". The new firm will be twice as big as any of the other firms. This could make it either formidably strong; alternatively, it could lead to trouble in a small business community. The culture of the two firms is said to be very different and competitors are eagerly awaiting the fall-out of clients and staff.

Population trends



Crowds through Cardiff's busiest thoroughfare

	Gwent	Mid Glamorgan	South Glamorgan	South East Wales
1981	441.7	541.1	399.9	1,372.7
1982	441.1	538.9	399.6	1,369.6
1983	439.9	536.4	397.7	1,368.0
1984	438.7	533.9	394.4	1,368.0
1985	440.2	533.9	394.8	1,368.9
1986	441.8	534.5	395.7	1,372.0
1987	443.1	534.8	399.6	1,377.5

Source: OPCS/Wales Office

Age	1985		2001	
	Low growth	High growth	Low growth	High growth
0-15	292.1	298.7	310.9	320.2
16-24	181.7	184.6	151.2	155.8
25-34	218.3	221.7	190.5	196.5
35-44	196.5	198.4	206.5	215.8
45-54	231.3	234.6	259.9	267.5
55-64	71.1	72.2	67.7	68.7
65+	220.3	222.7	222.4	229.0
Total	1,401.4	1,423.1	1,412.4	1,454.7

Source: OPCS/Wales Office

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S E WALES FINANCIAL SERVICES 4

PROFILE: COMPANIES HOUSE

Increased efficiency

IT IS perhaps a delicate irony that the courts in Cardiff have been one of the beneficiaries of the growth of financial services in Wales.

When Companies House moved its headquarters to the Welsh capital in 1976 it began to take action against concerns which either did not, or were very late in, filing their reports in Cardiff magistrates' courts. Action is taken against some 1,700 companies every year and the majority of those take place in Cardiff.

Companies House is where all company returns in England and Wales are filed. Every public company has to file its annual return within seven months of the end of its financial year and every private company within 10 months. Most play within the rules, but some fail by the way-side. The most recalcitrant are taken to court by Companies House.

The arrival of Companies House had a spin-off in more conventional directions: company search and company formation agents set up near the headquarters building and the move had a widening effect on the economy.

The most obvious tangible effect of the transfer of Companies House to Cardiff was the recruitment of some 700 staff,

fewer than a couple of dozen senior people came with the organisation in 1976 (some 200 remained in London and another 50 are employed in Scotland).

But there was also an intangible effect: a body like Companies House brings financial "muscle" with it. It enhances the area in which it is situated. Companies House helped do for Cardiff in the 1970s what, for instance, Ernie did even earlier for Lytham St Anne's and the Charley Commissioners subsequently for Taunton. They focus attention on the area or city in which they are operating.

That focus is the more important if the organisation is expanding and there is ample evidence that the work of Companies House is not only growing in bulk but also changing in format. Last year, for instance, searches among company files in Cardiff were running at 13,750 a week (the number in London is around 50,000). This year they are expected to top 16,500 though

in February the figure had gone over 19,000.

And with the change in status of Companies House as an entity even more work will be put through Cardiff. Companies House is part of the Department of Trade and Industry, one of the dozen agencies of government for which a new role has been fashioned.

The government is looking to introduce private-sector disciplines in some areas of the civil service, especially those with a public interface. Lord Young, then Secretary for Trade and Industry, said at the time of the introduction of the new policy that "there are some areas of DTI executive work where privatisation is not appropriate but where an increasingly commercial approach is desirable." Such departments were designated executive agencies.

The first to make the switch was the vehicle inspectorate, which produces a result within the hour. But a premium search has been introduced - for £20 - which will turn up the necessary information within 20 minutes. A fax service has been added, satellite offices have been opened in Glasgow, Manchester and Birmingham and another is to come in Leeds with still more in the pipeline.

As an agency the executive head has power to commit unlimited expenditure within his or her budget and can make *ex gratia* payments and authorise certain write-offs up to specific figures. This is all very different from normal civil service practice.

In return, he or she has to make the agency more efficient, more responsive to the needs of the public. Until the start of April the chief executive in Cardiff was Stephen Curtis, who has now gone off to head the Driver Vehicle Licensing Centre in Swansea. His successor, David Durham, does not arrive for another week.

"There is no doubt," Mr Curtis says, "that Companies House has become both more approachable and more efficient. The clearer lines of accountability we have, leading to a more efficient service being offered to the public, are clearly demonstrable in Cardiff."

In evidence he cites the way in which the agency has boosted its income to around £30m a year (about £25m of that in Cardiff, the rest in London) and new services developed.

The search fee is £2.50, which produces a result within the hour. But a premium search has been introduced - for £20 - which will turn up the necessary information within 20 minutes. A fax service has been added, satellite offices have been opened in Glasgow, Manchester and Birmingham and another is to come in Leeds with still more in the pipeline.

"We hope that by the end of this year we shall be able to tell information on our terminals," Mr Curtis states. "At the moment all our records are

stored on fiche and we are putting them on to the computer. We then want to sell directly off the screen." Such a move will do wonders for the staff who have to wander around 30 miles of shelving on which the paper-based records are stored. The demand has been so great, even within the purpose-built building, that an out-station had to be bought 20 miles away in Pontypool to take the earlier, less-demanding records.

The biggest measure of increased efficiency can be seen from the rate at which companies are complying with the law. Six years ago a House of Commons committee discovered only 40 per cent of companies submitted their annual returns within the stipulated time.

On becoming an executive agency Companies House was set efficiency targets. The compliance rate had to reach 83 per cent by 1991. Other productivity improvements were set. Mr Curtis is proud that Mr Durham will inherit an organisation that has taken the compliance rate up to 80 per cent.

Mr Durham's own appointment is another indicator of change. He comes from outside the civil service; since 1986 he has been in the health service in London and for four years previously he was in housing in Rochester. But most of his time - 26 years - he served in the Army, rising to become a lieutenant colonel.

Mr Durham is, literally as well as metaphorically, the new face of executive agency within the civil service. He arrives at a time when the work of Companies House, at least, is on a rising trend.

Anthony Moreton

PROFILE: ECGD

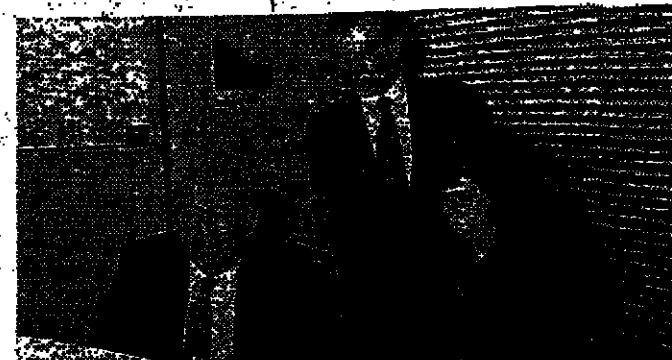
Ready to go private

THE Export Credits Guarantee Department is the unknown player on the Welsh financial scene. ECGD insures against the risk of selling overseas and that part of the government department dealing with short-term credit has been tucked away within the Welsh Office in Cardiff for a decade, even though the department itself is responsible to the Secretary of State for Trade and Industry in London.

All that is about to change. Partly to meet the European directive on insurance which comes into operation in July, and partly to meet changing conditions in the market place, the insurance group is being hived off from government and will next year be set up as a company.

ECGD now operates under statute which restricts its operations to those which benefit British companies. To operate within Europe after the setting up of the single European market in 1992 the rules have to be changed to allow it to compete openly outside the UK. ECGD will, as a consequence, leave the public sector, move out of the Welsh Office and take premises in Cardiff or the surrounding area.

In the next week a report prepared by Samuel Montagu setting out how the transformation to the private sector might be brought about will land on the desk of Mr Nicholas Ridley, Secretary of State at the DTI, and he is expected



Nicholas Ridley, Trade and Industry Secretary (left), with ECGD underwriters Trevor Griffiths and Jill Thomas

very soon afterwards to announce the ways in which it will operate in future.

ECGD was set up in 1919 to offer insurance against export risks and is today considered one of the world's most experienced operators in the field. It comprises two main groups: a project group, based in London, which underwrites medium- and long-term export sales and one-off projects. This is an area fraught with difficulties and one in which profitability is low. This side of the business will remain within government in London.

The other main sector, the insurance services group, the one in Cardiff, is to move into the private sector, though until Mr Ridley acts on the Montagu report it is not known whether it will be floated on the market, sold to an existing company or be given some other corporate form. It will become a government company in April 1991 and private capital will be introduced soon afterwards.

With a staff of 500 in Cardiff, most of them underwriters or other professionals, the insurance group will then become an important part of the city's privately-owned financial base, probably as important as any of the existing concerns. "There are more of the world's experts in this field in Cardiff," according to Mr Colin Foxall, group director of insurance services. "Then anywhere else in the world. The company that will emerge will be a company of world standing with a unique product."

Furthermore, it will be a profitable company; the insur-

ance group is the profit-earner within ECGD based on a growing turnover. Four years ago it was forecast that the amount of insured business handled by the group in Cardiff would decline to £8bn-£9bn in the year just ended. In fact, it has risen to £12bn.

"We have been consistently profitable and there is scope for making further good profits in the future," says Mr Colin Foxall, who will almost certainly head the putative company.

"In Europe there are enormous opportunities. Prices tend to be much the same across the board so you have to sell on quality of service. We have that quality and we should do well in the open market."

"Only four years ago, for instance, we gave a decision on whether to insure a risk within 24 hours to about 18 per cent of our customers. Today, 80 per cent of them get it in that time." Mr Foxall might have added that 50 years ago it would have taken four weeks. Over the longer-term, Mr Foxall sees the emergence of a small number of credit insurers. In this business size and the economies of scale that go with it are all important and he believes the eight or nine principal operators in Europe at the moment will be reduced to about three. Naturally, he believes the insurance services group of ECGD, under whatever name it takes in future, will be the leading one, which is the best news possible for Cardiff.

Anthony Moreton

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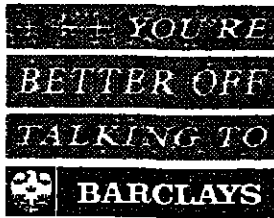
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MEMBER OF I.M.B.O.

Patrick Hannan on newcomers

Geographical revelation

pany such as TSB is probably a more typical employer than heavy industry.

TSB moved its general insurance services to Newport two years ago because of shortage of staff and shortage of space. The company laid down a number of specific requirements for a relocation site. Communications were especially important because a firm decision had been taken that no new site should be more than two hours' drive from its headquarters in Andover.

The quality of life in the area was also a central consideration, together with standards of housing, education and recreation, all crucial to staff who were planning to move. Equally important was the availability of a labour force big enough and of a high enough quality to fill the jobs that would be transferred - initially more than 250.

"We have been extremely pleased with the quality of the applicants we have had locally," Mr McDowell said.

TSB originally began by looking at more than 80 sites within the stipulated radius from Andover, but soon narrowed the list to a handful, including Bristol and the West Midlands. According to Graham Palmer, who was the relocation project manager, the decisive factor in favour of Newport was the availability of

a government grant. "It meant that the exposure of the company was that much less in what was a risky operation. Many of our experienced staff would not be able to move. That meant we would be reducing our experienced workforce by something like a third."

As it turns out it does not seem to have done TSB much harm - and the company's confidence in the area is that, having leased premises from the Welsh Development Agency to begin with, they are now spending £12m on putting up their own building in another part of Newport.

A similar kind of confidence has been shown in Cardiff by NPI, which spent almost £5m buying the old South Glamorgan County Council headquarters and afterwards invested another £11m in completely renovating it.

The company's problem of staffing and space were acute. Working out of 15 different buildings in Tunbridge Wells was clearly unsuitable, to say the least. Added to that was the fact that the unemployment rate in the area was around 1.5 per cent - which counts as no unemployment at all in Government statistical terms.

"We could see that the Tunbridge Wells operation was not going to be viable," said Brian Blake, NPI's assistant general

manager for customer service.

The answer was to move part of the customer service division elsewhere, but although the company looked at sites in many parts of South Wales was not on the list.

That changed with the launch of the Financial Services Initiative in South East Wales early in 1988. Although the company was a long way into the process of selecting a site, NPI nevertheless decided to look at Cardiff.

The most important factor in Cardiff's favour was the availability of a labour force of the right quality and in the right numbers.

"We are very pleased to be here. Cardiff has made us very welcome right from the start and we are very pleased with the quality and enthusiasm of our new staff," Brian Blake said.

"Over a period of two or three months we brought a couple of hundred staff and their families to the area. Originally we made plans for 60 or so to move but in the end we were well and truly oversubscribed."

TSB had a similar kind of experience and Mr McDowell sees only one employment problem in the area.

"When you are recruiting in a national market the view of South Wales is a disadvantage. That is because it is not a well-established financial centre."

Of course, the arrival of companies such as TSB and NPI will help change that, but South Wales has its attractive qualities - even for high fliers.

One industrialist said: "This place is becoming known as the graveyard of ambition. Once you get people in here you can't persuade them to leave again."

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TECHNOLOGY

Michael Skapinker and Louise Kehoe explain why Sematech and Jessi have joined forces

A marriage of convenience

The recent collaboration agreement between Sematech, the US semiconductor industry consortium, and Jessi, its European counterpart, stems from a recognition that if the two sides do not unite to counter Japanese dominance, they might be doomed to decline separately.

The agreement to co-operate on two projects is, however, only the first step in ending the mistrust and resentment which several in the European chip industry feel towards their American counterparts.

"We are still at the very early stages of co-operation," says Carlo Ottaviani of SGS-Thomson, the Italian-French semiconductor company. "We certainly do not want to give the impression that we have found the recipe we are looking for in co-operation between European and American organisations."

Members of Jessi (Joint European Submicron Silicon Initiative) and Sematech have agreed to join forces to look at the strengths of Japanese companies and the extent to which European and US manufacturers are able to match them. A second project will investigate the adoption of common semiconductor standards. The two projects will start immediately.

Sematech said it would also co-operate with Jessi on ways of improving semiconductor manufacturing equipment. Sematech has its own project in this area and will share some of the results with Jessi. The two organisations might then co-operate on the development of materials and manufacturing equipment. They will also discuss future co-operation in the field of computer integrated manufacturing.

The projects, which still have to be ratified by the Jessi board, are the results of talks between the two sides which began last year. Relations between the two organisations have been frosty as a result of the American body's refusal to grant membership to the US subsidiaries of European companies.

Sematech and Jessi also have distinctly different styles and modes of operation. Sematech, for example, is anxious to play down the notion that it is

anti-Japanese. Robert Noyce, Sematech's president, has said that he would be delighted to let Japanese companies help pay the bill for Sematech's research efforts, but that none has offered.

To Klaus Knapp, Jessi's spokesman, the reply to any Japanese companies which wanted to join the European body would be simple. "The answer would be 'no'," he says. "Jessi is there to ensure that the Europeans can catch up with the Japanese."

Even so, some large European electronics companies, in particular Siemens, already use Japanese technology in the production of their semiconductors. For example, Siemens's successful one megabit D-Ram is based on a chip design by Toshiba.

The Americans and Europeans also seem to have different

perceptions of the issue of Sematech membership. Sematech says it has not received any applications for membership from European companies. SGS-Thomson's Ottaviani says the reason for that is because the Europeans have been told their applications would be refused. "Before you make a written request, normally you make a verbal enquiry and if the answer is 'no' you don't proceed. We've received a clear 'no' in the past," he says.

Sematech is also better established than Jessi and expects to give more than it receives in any co-operation agreement. The US semiconductor industry was quicker to recognise its shortfall in semiconductor manufacturing technology and formed Sematech in 1988.

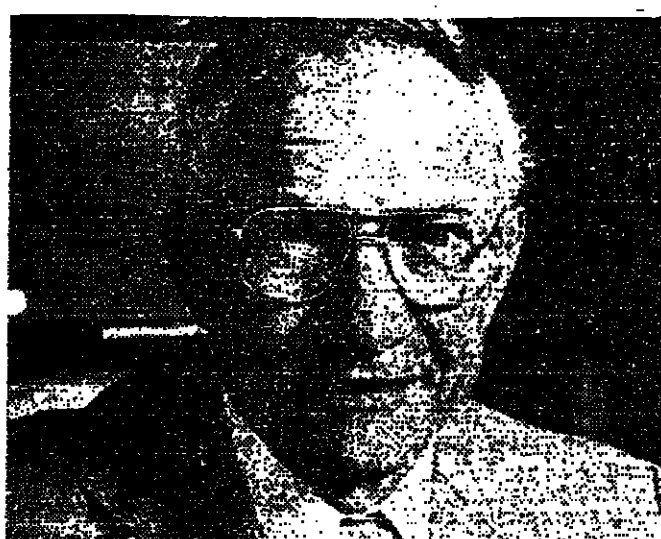
Fourteen member companies provide half of the consortium's annual \$200m budget, with the balance coming from the US Defence Department. Sematech expects to begin production this year of 0.5 micron chips - double the density of those currently in commercial production. The consortium does not make chips for sale, but produces chips in order to demonstrate the commercial feasibility of its technology.

Jessi, which was set up last year, is just beginning to establish its operations. It has the backing of the European Com-

mission, several governments and most leading European information technology companies.

Despite their differences, Sematech believes that a strong European industry will benefit the US. "Our preference is to work with domestic suppliers, but failing that we would like to find alternatives to Asian sources," says a spokesman for Sematech.

SGS-Thomson's resentment over Sematech's refusal to admit its US subsidiary, Europe's other leading semiconductor companies



Robert Noyce: anxious to play down anti-Japanese sentiment

think that low-key transatlantic co-operation might be the way to go.

Speaking on behalf of the Siemens Semiconductor Group, rather than for Jessi, Knapp says that the two projects agreed upon could lead to closer co-operation in the future. "If you have a problem which appears to be insoluble, you can try a different approach," he says. "Instead of working from the top down, you can try to work from the bottom up. We may find that doing these two projects may make things easier. We might find that there are more possibilities for co-operation than we thought."

Niels Wiedenhoef of Philips says: "We hope that these step-by-step proceedings will end with Europeans being allowed to participate in projects in the US."

There are already other examples of US-European co-operation. Earlier this year, Siemens and International Business Machines said they would join forces to develop 64 megabit dynamic random access memory (DRAM) chips, capable of storing 16 times as much information as chips coming on to the market today.

IBM Europe has also been invited to submit project proposals to Jessi. Knapp says that if these are accepted, Jessi will effectively have granted membership to IBM.

The operating system directly support a wide range of different instruction sets.

OSF has also rejected AT&T's Unix System V.4 as the basis for its development efforts. Instead it is building a different version of Unix around a kernel called Mach, developed at Carnegie Mellon University. Proponents claim that the resulting operating system, called OSF1, will be more advanced than V.4 and will become an industry standard. But OSF members, and their customers, will have to wait until 1991 for OSF1.

Meanwhile those adopting V.4 hold the advantage of already having a "standard" operating system in place.

For computer users and buyers, the breakdown of the talks between OSF, UI and AT&T raises concerns and confusion which some analysts suggest may delay purchase decisions. If so, then ultimately the entire computer industry will suffer from its inability to reach a consensus on standards.

Louise Kehoe

Roy Hodson

including those from Sun Microsystems, MIPS Computer, Intel and Motorola.

The BUI links the hardware and the operating system. Its role is analogous to that of an electrical adaptor that enables users to put two-pin, three-pin or foreign electrical plugs into any outlet.

With the introduction last year of its long-awaited "unified" version of Unix, called System V.4, and the development of BUI, AT&T was able to promise application software compatibility between all computers based upon one of the standard microprocessors. It would then be possible, for example, to run applications designed for a Sun workstation on any other workstation built around Sun's Sparc microprocessor.

OSF, however, is attempting to make its version of Unix compatible across different types of hardware architectures. To do this it must make

Louise Kehoe

Roy Hodson

Flare-up in software standards battle

The "Unix wars" broke out again this week with the announcement that talks between the rival Open Software Foundation (OSF) and Unix International (UI) aimed at resolving their two-year conflict over software standards have broken down.

At the heart of the dispute is a battle for control over vital software standards that will shape the future of "open systems" computers that can share software applications. Such computers are expected to represent about 20 per cent of the total \$100bn (£60bn) worldwide computer market by the mid 1990s.

The dispute first surfaced two years ago, when industry heavyweights including IBM, Digital Equipment and Hewlett-Packard banded together to form OSF. The OSF founders objected to AT&T's plan to develop, in conjunction with Sun Microsystems, a new "unified" version of Unix.

The latest talks focused on a proposal from AT&T to relinquish control of Unix by spinning off its Unix Software Operation, the unit responsible for

the development and marketing of Unix. Last November AT&T invited interested parties to discuss acquiring an equity stake in the operation.

The move was supposed to reaffirm AT&T's claims that Unix is an "open" standard and that it would not seek to take advantage of its ownership of the operating system to push its own computer sales or those of its business partners.

It now appears that discussions between AT&T and OSF and UI were derailed by the inability of the parties to agree to a formula for future control and ownership of the software operation.

David Turley, OSF president, said his group entered into the discussions with the expectation that a merged organisation would not be controlled by AT&T or any other company, but an agreement on that principle could not be reached.

Peter Cunningham, UI president, said that all of AT&T's proposals were based upon the principle of equal access. He blamed the collapse of the talks upon the divergent views of certain OSF members.

The failure of the talks represents a disappointment to many involved and undermines efforts to establish a single standard version of Unix. In a joint statement, the two groups stressed the positive, though limited, outcome of the talks. The discussions "resolved a number of issues, providing the opportunity for increased collaboration for the benefit of computer customers worldwide." Little new appears to have come out of the talks, however.

Instead, the breakdown has fuelled efforts by OSF to develop its rival "standard" version of Unix. IBM, Digital, Hewlett-Packard, Groupe Bull, Hitachi and Siemens all reaffirmed their commitment to the group and announced that

they have agreed to provide additional funding in the wake of Monday's announcement.

What is more, the damaging bitterness that surrounded the formation of OSF and UI two years ago is now resurfacing with each side blaming the other for what has happened.

Participants said that there was a lack of trust on both sides, despite public posturing by the groups over the past year aimed at downplaying their differences in the face of angry complaints from major computer buyers.

Strong egos on both sides made it impossible to achieve an agreement, some said. In addition, the groups remain divided over technical details of how best to achieve their shared goal of an industry-wide software standard analogous to those which exist in the personal computer market.

Taking personal computers as a model, the industry had aimed to create standards that

would proliferate applications software designed to run on Unix computers. In the PC world, they noted, the wide use of Microsoft DOS operating system has spawned a huge market for "shrink-wrapped" application programs that can run on IBM-compatible personal computers manufactured by dozens of manufacturers.

The Unix market is, however, more complex than the personal computer market. It encompasses several different types of computers based upon dozens of architectures including standard microprocessors and proprietary hardware.

Both UI and OSF have been searching for a solution to the dilemma that currently exists of having dozens of different, incompatible versions of Unix. UI's approach, in conjunction with AT&T, has been to develop "binary user interfaces" for each of the most popular microprocessor chips

including those from Sun Microsystems, MIPS Computer, Intel and Motorola.

The BUI links the hardware and the operating system. Its role is analogous to that of an electrical adaptor that enables users to put two-pin, three-pin or foreign electrical plugs into any outlet.

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OSF, however, is attempting to make its version of Unix compatible across different types of hardware architectures. To do this it must make

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COMPANY NOTICES

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The Annual General Meeting of the Company will be held in the Bervall Hall, Strandvägen 69, Stockholm at 5.00 p.m. on Tuesday May 8, 1990.

The following items will be on the Agenda of the Meeting:

1. To elect a Chairman for the Meeting
2. To approve the voting list
3. To confirm that the Meeting has been properly called
4. To elect two persons to check the minutes of the Meeting
5. To present the Annual Report and the Auditors' Report
6. To present the Consolidated Accounts and the Auditors' Report on the Group
7. To approve the Profit and Loss Statement and the Balance Sheet
8. To approve the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet
9. To discharge the members of the Board of Directors and the Managing Director from liability
10. To determine the appropriation of the profits, provided the balance sheet is approved
11. To fix the date of payment of the dividend declared
12. To decide on split of share, i.e. each share of nominal value 50 Crowns will be split into five shares of nominal value 10 Crowns by changing the Articles of Association so that the nominal share value will be decreased from 50 to 10 Crowns
13. To determine the number of members of the Board of Directors and deputy members
14. To determine the remuneration payable to the members of the Board of Directors and to the Auditors
15. To elect members of the Board of Directors and deputy members
16. To elect Auditors and deputy Auditors
17. To decide on any other business which according to the Companies Act of 1975 shall be dealt with at the Meeting.

Shareholders intending to participate in the Annual General Meeting must be entered as Shareholders in the share register kept by Værdpapircentralen VPC AB (securities register centre) not later than April 27, 1990.

Shareholders whose shares are registered in the name of an agent must register the shares personally in their own names not later than April 27, 1990, in order to participate in the Meeting.

In addition to the above-mentioned requirements, Shareholders shall give notice of attendance to the Headquarters of the Company, Corporate Legal Affairs, S-126 25 Stockholm, Tel. No: 46(0)8 719 34 43, between 10.00 a.m. and 4.00 p.m. daily, not later than May 3, 1990 at 4.00 p.m.

Any person desiring to participate in and to vote as proxy on behalf of a Shareholder at this Meeting must produce a dated Power of Attorney before being allowed to do so.

The Board of Directors has proposed May 11, 1990 as the record day for payment of dividends. Provided this proposal is approved, the dividend is expected to be paid by Værdpapircentralen VPC AB on May 18, 1990.

April 1990 The Board of Directors

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COMMODITIES AND AGRICULTURE

Partners out of step in UK dairy dance

Bridget Bloom on efforts to end cartel-like arrangements for marketing British milk

BRITAIN'S MILK Marketing Board saga is beginning to resemble a stately quadrille the only problem is the dancers seem unsure of the steps, only faintly perceiving the tune and have no conductor to guide them.

At the heart of the matter is the dairy industry's need to come to terms with the modern world: not just of Thatcherite, enterprise-Britain, but of the European Community's approaching single market. The industry's cartel-like arrangements for fixing prices and profits seem set to stifle innovation, efficiency and competitiveness just at a time when these are most needed.

Talks between the Milk Marketing Board of England and Wales (by far the biggest of the five boards in the UK) and the Dairy Trades Federation, which represents the main UK producers, have dragged on since last August and now seem deadlocked. Hence the recent intervention of British Ministers. But while Mr John Gummer, the Agriculture and Food Minister, has verbally cracked the whip he has done little back from action, trying instead behind the scenes to cajole the participants into the reforms that all acknowledge are necessary but all seem to fear.

The principal reform being sought is of the statutory monopoly powers exercised by the Milk Marketing Boards:

they buy all the milk produced by Britain's 44,000 dairy farmers and sell it on to the dairy companies. One of those, Dairy Crest, owned by the MMB, is annually negotiating prices with the MMB for England and Wales and has 30 to 35 per cent of the £4.7bn dairy products market. Dairy Crest and half a dozen other companies in the DTF, including Unigate and Express Dairies, annually negotiate prices with the MMB for milk according to its end use and in such a way that guarantees them a minimum return on capital employed.

The system, originating in the agricultural depression of the 1930s to protect farmers from powerful dairy companies and sanctioned by the EC authorities on Britain's entry in 1973 in the hope that it would curb growing milk surpluses, is now widely criticised. Even the MMB publicly acknowledges that it seriously distorts milk supplies since it takes little account of real demand; no matter what, milk for liquid consumption is highest priced, that for cheese and yoghurt follow, with butter and milk powder the lowest.

Britain is not self-sufficient in milk and with the coming of the single market innovative processors or competitive retailers will obtain supplies elsewhere. Already imports are rising dramatically in the value-added markets for yoghurts, soft cheeses and the like.

All the participants acknowledge the need for change. In varying degrees. Over the last few months the MMB has proposed two variants of the present scheme. One, under which processors would tender for milk, has been turned down flat by the DTF as creating an uneven playing-field; it would leave the Board's dairy companies in a position to undercut while making the companies compete for supplies, says Mr Andrew Dare, managing director of Unigate's St Ivel and DTF president.

The other MMB scheme could be more acceptable to the DTF, for although it would allow for a small spot market in milk, dairy companies' contracts with the Board would be based on so-called service levels (principally for export) rather than on end use. That proposal - which would do little to open up the milk market - is still formally on the table.

However, interest is currently focused on the possibility of the MMB abandoning its monopoly voluntarily, turning itself into a huge co-operative but retaining its ownership of Dairy Crest. (It is assumed that the three Scottish and the Northern Ireland Boards, which also own manufacturing companies, would follow the MMB's example).

Abandoning its monopoly in

this way is a vision which seems to frighten the MMB and its farmers, among whom it rears the spectre of the 1930s. For the DTF it is anathema, while the Government is adopting a hands-off policy. It is however the Agriculture Ministry's favoured solution.

In a recent paper sent to both sides (but apparently initially drafted in response to "what if?" questions posed by the MMB) Mr David Curry, the junior agriculture minister responsible, made clear that the Government saw no legal reason either in terms of UK or EC legislation why the MMB should not become a single co-operative - or several regional ones.

The paper noted that primary legislation in the UK for the MMB would be needed to abolish the monopoly and to arrange for the transfer of assets either to the new co-operative (which would own Dairy Crest) or, in the case of those farmers wanting to opt out, to the farmers themselves. Farmers would have to vote on the issue, while legislation would "need to take account of the interests of other parties affected and the wider public interest," the paper said.

The advantage of all this from the Government's point of view is that it would, at a stroke, abolish the cartel's price-fixing arrangements. Then it would be much more

up to market forces to determine what happened.

For the MMB the preferred scenario would be that Dairy Crest, already strong, should become a more powerful player in a reformed and restructured dairy sector. But this would not be at all pleasing to the DTF. If it cannot keep the present system, the federation, according to Mr Dare, would like to see the complete abolition of the MMB and the substitution of farmer co-operatives grouped around local dairies. This in turn is fiercely opposed by farmers.

No resolution of these differences is in sight and in a sense the participants are all engaged in a phoney war - a quadrille of uncertain time and direction.

It would be easier for the MMB if the Government would "wield the smoking gun" and abolish the monopoly without further ado. Ministers, however, have their own reasons for not doing so. There is, they say, no parliamentary time for legislation but neither, against the background of its current problems, does the Government have the political stomach for gratuitously provoking farmers' wrath. As for the DTF, while it would clearly prefer the quiet life, it seems condemned to a reactive role.

Yet the dance must go on if only because the reasons for it will not go away.

Broker sees bright prospects for base metals producers

By Kenneth Gooding, Mining Correspondent

FOR MOST of the traded metals consumption prospects remain bright, producers' capacity utilisation will stay high, metal stocks will be low and prices will settle at favourable levels for the producers.

But metal prices would struggle to be bullish. That upbeat, medium-term outlook was given yesterday by the metals team at the Shearson Lehman Hutton investment services group at the launch of two annual reviews - of the copper and aluminium industries.

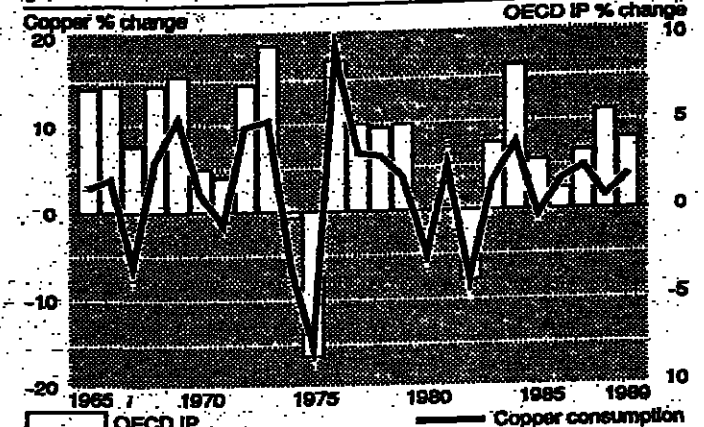
On copper demand, analyst Mr Neil Buxton said a downturn in US construction and automotive activity was dragging back growth this year, but demand was expected to pick up again in 1991.

Shearson had changed its mind about supply prospects, he added. There was now little threat of vast over-supply. Too much attention had been placed in the past on huge new projects such as Escondido, in Chile. However, to compensate, a number of mines were close to exhaustion and lower metal content in ore was leading to lower copper output in Zambia, Chile and Canada.

Net additions to annual capacity in 1990 and 1991 would be only about 80,000 tonnes and 190,000 tonnes respectively. By 1992 any capacity additions would be needed to cope with demand growth.

There would be only a "modest" copper supply surplus this

Copper demand and OECD industrial production



year and in 1991. Stocks would represent only five weeks of normal usage in those years and would be under 12 weeks in 1992 and 1993. Consequently, the market would remain vulnerable to supply interruptions or surges in demand.

Shearson suggested the London Metal Exchange spot price of copper would average about \$1.15 a lb this year and 95 cents in 1991 compared with \$1.29 a lb last year.

On aluminium prices, he said the worst of the recent fall had almost certainly been seen in January this year. Shearson suggested the LME aluminium spot price in 1990 will average 75 cents a lb and rise to 80

The amiable champion of America's farm trade

Nancy Dunne talks to the House of Representatives' agriculture committee chairman

AFTER 25 years in Congress Mr Kika de la Gaiza still travels light. No entourage follows in his wake; he displays no pretensions.

Although he has climbed in the US House of Representatives to the chairmanship of the Agriculture Committee, head of the Hispanic caucus, and the leading role in the Mexican Inter-parliamentary Group, he seems simply a Spanish-American Everyman.

This shy, amiable south Texas congressman on a fact-finding mission this week in Brussels and Geneva - is an ardent champion of American commerce. It is in this capacity that he will be assessing the US-EC deadlock over the American proposal for the Uruguay Round of the General Agreement on Tariffs and Trade to eliminate "trade-distorting" support for agriculture.

A team player, Mr de la Gaiza pays lip service to the international trade negotiations. But he is clearly enthusiastic and stresses his determination not to bargain away US farm support unless "everything else" - like the



Kika de la Gaiza: a Spanish-American Everyman

EC's common agricultural policy is "on the table".

And he knows that it is not. In a year when Congress must reauthorise the US Farm Program, the chairman is much in the spotlight. His constituents in what he calls "out there" see no reason for much change from the 1985 Farm Bill. They believe it helped haul American agriculture from its worst economic crisis in 50 years by expanding exports, dropping prices, and subsidising much of the differ-

ence. He treats with light humour the current craze in Washington to insert "flexibility" into the farm programme to allow farmers "to plant for the market place." This threatens new surpluses when all the old ones have all but disappeared because of recent droughts and the farm programme. A delegation he met from Michigan asked for flexibility, he told a respectful group of farmers from South Carolina.

"You want flexibility. I'll give you flexibility. But they said, 'don't let them plant edible beans'."

Mr de la Gaiza sees no reason for current efforts in Congress to target support away from larger, richer farmers. Agriculture has become a high cost sector, he says. With a \$500,000 operation a farmer may clear only \$10,000 to \$15,000 a year. And besides, the proposals aimed at the big, usually end up hurting "the little guys".

It falls to Mr de la Gaiza to defend the billions in support paid out to farmers. He does it with zeal and five omnipresent charts he employs to demonstrate the "infinitesimal" percentage (0.63 per cent) spent

from the Government's budget for the US farm programme. "I don't know if you've seen my charts," he tells visitors, "that little tiny line is what we put on government to support agriculture, but what does agriculture mean? It means a lot of things, including that you and I would not be here if we did not have agriculture."

That 0.63 per cent supports 18 per cent of the country's GNP.

The chairman's office reinforces an impression of quirkiness and broad interests. Books overflow the desk and tables onto the chairs. Family photographs mingle with oil paintings, carvings, china and a large globe. Place of honour is given to a modernistic painting on an easel - produced, it turns out, by a monkey.

The committee office displays pictures of numerous breeds of goats, a new and thriving sector the chairman has promoted. The industry last week showed its gratitude, naming a goat research institute in his honour.

The chairman's modest, public persona and old-school courtesy conceal a shrewd mind, according to colleagues and farm lobbyists.

"He's one of the most internationally knowledgeable men in Congress," says one. "He's a fox."

Says another: "When the legislative train pulls into the station Kika's got all his own freight aboard."

He insists he has no brief to negotiate during his European trip, but he acknowledges paying the way for settlement of previous trade disputes. And his committee must pass on any agricultural pact agreed upon under the Gatt.

Clearly he won't let his farm constituents pay the price for any deal. He tells frequently of a recent revelation about a nuclear-armed US submarine.

"I carried enough megatonnage to destroy the world," he says. "That started me thinking about how the Soviets knew the whereabouts of all US troops, all our planes and ships, except for the submarines."

"I asked the commander how long he could keep this thing under water, and he said 'as long as I have food for my crew'."

Who is responsible for the peace and security of the world? The farmers of America!

Record soyameal usage forecast

WORLD CONSUMPTION of soyameal is likely to rise by 8.5 per cent to a record 70.2m tonnes in 1989-90 (October-September) because of attractive prices, according to Oil World, the Hamburg-based newsletter, reports Renter.

The previous record was 68.1m tonnes in 1987-88.

Soyameal is expected to account for the entire forecast 4 per cent rise in usage of 12 oilmeals in 1989-90. Use of the 11 others is likely to fall by 300,000 tonnes.

Demand for soyameal is strongest in the European Community and the US with big rises also expected in

Japan, Taiwan and South Korea. Its price has become more attractive compared with fish meal, rapeseed meal and most other oilseed meals in past months, the newsletter says.

The price of Argentine soyameal fell below \$90 a tonne off Rotterdam in March - the lowest level for nearly three years. Brazilian and US prices have also fallen sharply.

With world supplies of competitive oil meals expected to stagnate soyameal is expected to become even more competitive. It has already undercut feed grain prices in the EC and has become more competitive

world-wide.

The sharp decline in soy, other oil meals and feed grain prices has encouraged livestock producers to use more high protein feeds, Oil World says.

Strong EC soyameal demand was indicated by a 1.2m-tonne or 35 per cent increase in new supplies (production plus net imports) between October and March.

South America has replaced the US as the EC's main soy supplier. EC imports of South American soyameal totalled a record 8.4m tonnes in 1989, compared with only 600,000 tonnes from the US.

MARKET REPORT

COCOA prices closed at the highest level for eight months in London yesterday, and were rising strongly in New York at mid-session. The rise reflected rumours of a port strike and heightened tension in the Ivory Coast, where banks were closed because of a strike staged in protest against nationwide wage reductions. The Ivory Coast troubles also spurred coffee prices. On the LME were steady, with some players cautious after a wave of speculative liquidation on Comex on Monday which made sharp inroads into recent gains, despite the low level of available stocks. "There is now a chance

London Markets

SPOT MARKETS			
Crude oil (per barrel FOB)			+
Brent	\$13.50-14.00	-0.80	
Dual	\$14.47-16.28	-0.75	
WTI (1 per cent)	\$16.17-16.25	-0.55	
Oil products			
(NVE prompt delivery per tonne CIF)			+
Premium Gasoline	\$218-221	-3	
Gas Oil	\$158-160	-	
Heavy Fuel Oil	\$75-77	-2	
Naphtha	\$160-162	+1	
Petroleum Argus Estimates			
Other			
Gold (per troy oz)	\$375.25		
Silver (per troy oz)	\$13.00	-1.35	
Platinum (per troy oz)	\$477.60	-1.25	
Palladium (per troy oz)	\$128.25	-0.25	
Aluminium (free market)			
Copper (US Producer)	\$148.5	-25	
Lead (US Producer)	\$7.50	-	
Nickel (free market)	\$40.00	-5	
Tin (Kuala Lumpur market)	\$17.25	-0.41	
Tin (New York)	\$17.25	-0.41	
Zinc (US Prime Western)	\$34.00	-7	
Cattle (live weight)			
Sheep (dead weight)	\$21.50	-1.5	
Pigs (live weight)	\$6.75	-1.44	
London daily sugar (raw)			
London daily sugar (white)	\$34.50	+0.5	
Tate and Lyle export sugar	\$34.75	+0.5	
Barley (English feed)	\$104.5	-3.0	
Maize (US No. 3 yellow)	\$135.0v	-	
Wheat (US Dark Northern)	\$21.00	-1.0	
Rubber (May/Jul)			
Rubber (Jul/Nov)	\$6.70	+0.70	
Rubber (Jul/Dec)	\$6.50	+0.70	
Rubber (Jul/Jan)	\$6.50	+0.70	
Rubber (Jul/May)	\$6.50	+0.70	
Cocoa oil (Philippine)			
Cocoa oil (Philippine)	\$34.50		
Palm oil (Malaysia)	\$27.50		
Copra (Philippines)	\$23.00	-12.5	
Soyabean (US)	\$16.50	-1.0	
Cotton "A" Index	\$2.00		
Wooltopp (S4 Super)	\$7.50		

SUGAR - London FOX

Raw			
May	\$42.00	\$41.00	\$42.00
Jun	\$41.00	\$40.00	\$41.00
Jul	\$40.00	\$39.00	\$40.00
Aug	\$39.00	\$38.00	\$39.00
Sep	\$38.00	\$37.00	\$38.00
Oct	\$37.00	\$36.00	\$37.00
Nov	\$36.00	\$35.00	\$36.00
Dec	\$35.00	\$34.00	\$35.00
Jan	\$34.00	\$33.00	\$34.00
Feb	\$33.00	\$32.00	\$33.00
Mar	\$32.00	\$31.00	\$32.00
Apr	\$31.00	\$30.00	\$31.00
May	\$30.00	\$29.00	\$30.00
Jun	\$29.00	\$28.00	\$29.00
Jul	\$28.00	\$27.00	\$28.00
Aug	\$27.00	\$26.00	\$27.00
Sep	\$26.00	\$25.00	\$26.00
Oct	\$25.00	\$24.00	\$25.00
Nov	\$24.00	\$23.00	\$24.00
Dec	\$23.00	\$22.00	\$23.00
Jan	\$22.00	\$21.00	\$22.00
Feb	\$21.00	\$20.00	\$21.00
Mar	\$20.00	\$19.00	\$20.00
Apr	\$19.00	\$18.00	\$19.00
May	\$18.00	\$17.00	\$18.00
Jun	\$17.00	\$16.00	\$17.00
Jul	\$16.00	\$15.00	\$16.00
Aug	\$15.00	\$14.00	\$15.00
Sep	\$14.00	\$13.00	\$14.00
Oct	\$13.00	\$12.00	\$13.00
Nov	\$12.00	\$11.00	\$12.00
Dec	\$11.00	\$10.00	\$11.00
Jan	\$10.00	\$9.00	\$10.00
Feb	\$9.00	\$8.00	\$9.00
Mar	\$8.00	\$7.00	\$8.00
Apr	\$7.00	\$6.00	\$7.00
May	\$6.00	\$5.00	\$6.00
Jun	\$5.00	\$4.00	\$5.00
Jul	\$4.00	\$3.00	\$4.00
Aug	\$3.00	\$2.00	\$3.00
Sep	\$2.00	\$1.00	\$2.00
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Jul	\$0.00	\$0.00	\$0.00
Aug	\$0.00	\$0.00	\$

ELECTRICALS—Contd

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ject to same degree of regulation as listed securities.
Ily same listed.
dividend after pending scrip and/or rights issue;
to previous dividend or forecast.
or reorganisation in progress
able
Kny; reduced final and/or reduced earnings
dividend.
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conversion of shares not now ranking for
ranking only for restricted dividend.
not allow for shares which may also rank for
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Kny, Fr. French Francs 50. Yield based on
Paris B10 Rate price exchanged until maturity of
dividend, B 1 figures based on prospectus or
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1. Flat Yield, a Assumed dividend and yield, a
Kny, a Assumed dividend and yield, a
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	879				
	78				
	69				
	133	-7			
			Grocery	450	
			Garrett P.J. & J.	138	-1
			Hall (P. & J.)	138	-1
			Morgan Highways	168	
			United Drug	168	
\$79-2					
\$79-2					
\$79-2					
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ADDITIONAL OPTIONS

3-month call rates

			Rack Elect.	19	
			BATF	75	
S			Rank Org Ord.	68	
			Reed Int'l.	30	
	39		TTC	30	
	5%		Saars.	91	
	5%		Smith, Beckman A.	11	
	45		TSB	48	
	35		W.C. Sullivan	77	
	35		Thom EMI	61	
	35		Tran House	22	
	42		U.S. Bank	62	
	36		Unilever	56	
	42		Vickers	56	
	42		Wilson	56	

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Weak yen attracts no support

THE YEN weakened yesterday and as trading closed in London central banks showed no sign of providing further support for the Japanese currency. There was no indication that the Group of Seven is prepared to give more than token support to the yen, underlining the view that it is up to Japan to put its house in order, rather than look for help from other countries.

Market opinion hardened towards the view that the only way to solve the problem of the yen's lack of attraction is to increase domestic interest rates, but equity prices continued to fall in Tokyo on fears of higher rates, illustrating the difficulties facing the Bank of Japan.

Mr David Deakin of Nikko Bank in London suggested there is still some way to go however in bringing down Japanese share prices to levels ruling in the US and Europe, and that the authorities in Tokyo would be wiser to concentrate on the problems of rising money supply growth and inflationary pressure.

Against this background a rise in the Bank of Japan's discount rate cannot be ruled out, according to Mr Deakin. He added that the long Easter week-end in the US and Europe could present an ideal opportunity for the yen to rise.

After trading in a narrow range the dollar closed in London at ¥158.45 against the yen, compared with ¥157.45 on Monday. The US currency also rose to SF1.4965 from SF1.4955, but was slightly weaker against members of the European Monetary System, falling to DM1.6905 from DM1.6915 and to FF5.6775 from FF5.6800. The dollar's index rose to 88.6 from 88.4.

The D-Mark was slightly firmer, rising to ¥93.80 from ¥93.10 against the yen. It also rose to L734.50 from L734.25 in terms of the Italian lira and to FF3.3585 from FF3.3580 against the French franc. Nevertheless the question of German monetary union continued to overshadow the D-Mark, and the currency fell to its lowest level against the franc since October 1987 at the Paris fixing.

Mr Otto Lamsdorff, leader of the Free Democrats in the Bonn coalition government, said the West German Government must reach agreement on a proposal for currency union next week, and East Berlin must then react as quickly as possible, if a target of union by July 1 is to be met. Sterling lost a little ground, on nervousness about the UK political situation and on fears that tomorrow's figures on British retail prices and average earnings will point towards rising inflationary pressure. However, in general the pound remained on the sidelines. It lost 45 points to £163.50, and fell to DM2.7650 from DM2.7725; to SF2.4475 from SF2.4525; and to FF3.2825 from FF3.2925. Sterling's index declined 0.2 to 87.2.

EURO-CURRENCY INTEREST RATES									
	Apr 10	Short	7 Days	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years
London	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Frankfurt	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Paris	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Geneva	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Brussels	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Amsterdam	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Stockholm	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Copenhagen	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Oslo	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Stockholm	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Copenhagen	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146
Oslo	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146	144-146

Long term Eurodollar: two years 9.5-9.75 per cent; three years 9.5-9.75 per cent; four years 9.5-9.75 per cent; five years 9.5-9.75 per cent. Short term rates are for US dollars and Japanese yen; others, two days' notice.

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

	Apr 10	Latest	Previous
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

Forward premiums and discounts apply to the US dollar and not to the individual currencies.

COMMODITY PRICES

	Apr 10	Latest	Previous
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

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	Apr 10	Latest	Previous
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3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

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Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

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	Apr 10	Latest	Previous
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1 month	100.00	100.00	100.00
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1 month	100.00	100.00	100.00
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Forward premium	100.00	100.00	100.00
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	Apr 10	Latest	Previous
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
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Forward discount	100.00	100.00	100.00
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

Forward premiums and discounts apply to the US dollar and not to the individual currencies.

COMMODITY PRICES

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

Forward premiums and discounts apply to the US dollar and not to the individual currencies.

COMMODITY PRICES

FINANCIAL FUTURES AND OPTIONS

LIFE LONG BILLY FUTURES OPTIONS

	Apr 10	Latest	Previous
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

Forward premiums and discounts apply to the US dollar and not to the individual currencies.

COMMODITY PRICES

	Apr 10	Latest	Previous
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

Forward premiums and discounts apply to the US dollar and not to the individual currencies.

COMMODITY PRICES

	Apr 10	Latest	Previous
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
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Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00
100 = 100	100.00	100.00	100.00
1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00
12 months	100.00	100.00	100.00
Forward premium	100.00	100.00	100.00
Forward discount	100.00	100.00	100.00

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.19-5.19p 12 month 5.19-5.19p.

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COMMODITY PRICES

	Apr 10	Latest	Previous
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1 month	100.00	100.00	100.00
3 months	100.00	100.00	100.00
6 months	100.00	100.00	100.00

CANADA

Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change
TORONTO																	
2pm prices April 9																	
Outstanding in cents unless marked *																	
4000 Alcan A	57	9 1/2	9 1/4	9 1/2	+ 1/4	1280 Cineplex	85	5 7/8	5 7/8	5 7/8	+ 1/8	500 Inv Grp	32 1/4	21 1/4	21 1/4	21 1/4	+ 1/4
1977 Ashby Pl	51 1/2	15	15	15	0	1500 Cdn Steel	31 1/4	28 1/4	28 1/4	28 1/4	- 1/4	4000 Japex	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan B	57	9 1/2	9 1/4	9 1/2	+ 1/4	3000 Inco A	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	3000 Japex B	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan C	57	17	17 1/4	17 1/4	+ 1/4	3000 Inco B	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex C	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan D	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco C	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex D	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan E	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco D	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex E	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan F	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco E	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex F	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan G	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco F	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex G	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan H	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco G	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex H	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan I	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco H	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex I	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan J	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco I	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex J	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan K	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco J	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex K	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan L	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco K	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex L	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan M	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco L	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex M	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan N	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco M	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex N	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan O	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco N	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex O	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan P	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco O	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex P	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan Q	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco P	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex Q	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan R	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco Q	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex R	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan S	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco R	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex S	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan T	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco S	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex T	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan U	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco T	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex U	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan V	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco U	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex V	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan W	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco V	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex W	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan X	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco W	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex X	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan Y	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco X	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex Y	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan Z	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco Y	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex Z	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AA	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco Z	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AA	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AB	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AA	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AB	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AC	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AB	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AC	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AD	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AC	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AD	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AE	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AD	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AE	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AF	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AE	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AF	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AG	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AF	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AG	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AH	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AG	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AH	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AI	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AH	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AI	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AJ	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AI	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AJ	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AK	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AJ	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AK	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AL	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AK	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AL	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AM	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AL	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AM	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AN	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AM	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AN	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AO	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AN	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AO	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AP	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AO	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AP	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AQ	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AP	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AQ	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AR	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AQ	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AR	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AS	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AR	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AS	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AT	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AS	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AT	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AU	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AT	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AU	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AV	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AU	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AV	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AW	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AV	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AW	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AX	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AW	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AX	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan AY	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AX	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AY	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan AZ	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AY	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex AZ	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan BA	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco AZ	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BA	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan BB	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco BA	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BB	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan BC	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco BB	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BC	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan BD	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco BC	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BD	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan BE	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco BD	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BE	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan BF	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco BE	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BF	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan BG	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco BF	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BG	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
4000 Alcan BH	57	17 1/4	17 1/4	17 1/4	+ 1/4	3000 Inco BG	30 1/4	29 1/4	29 1/4	29 1/4	- 1/4	1000 Japex BH	51 1/4	48 1/4	48 1/4	48 1/4	- 1/4
1977 Alcan BI	57	17 1/4	17 1/4	17 1/4	+ 1/4												

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 49

AMERICA

Tokyo's fall and earnings fears hold Dow back

Wall Street

DULL trading continued yesterday with US stock indices trading in narrow ranges, writes Janet Bush in New York.

At 2 pm, the Dow Jones Industrial Average was 3.48 higher at 2,731.53 on low volume of 90m shares. On Monday, the Dow had risen 4.96 in the slowest trading of the year.

At mid-session yesterday, other indices were narrowly mixed, with the Standard & Poor's 500 showing a marginal gain and the American Exchange Composite a tiny loss.

The Nasdaq Composite of over-the-counter stocks outperformed other indices, rising 1.41 to 431.59. This reflected a rebound in some regional bank stocks which have been weak recently on concerns about the quality of their loan portfolios and increased scrutiny by banking regulators.

The market was cautious in the wake of the fall on the Tokyo stock market, and in the run-up to a rash of first quarter corporate earnings announcements. The dollar provided little sense of direction, trading steadily at about the levels which have prevailed for about a week.

Most money centre banks quoted on the New York Stock Exchange rebounded on Monday from their slump late last week, but regional banks quoted over-the-counter only started to come back yesterday. Among featured regional bank issues on the OTC was BancAmerica Inc, which added \$1 to \$16.75 after news that it had made a loss of \$7 cents a share after a provision for real estate loan losses. Boatmen's Bancshares, a midwestern bank, gained \$1 to \$30.75.

Ames Department Stores provided evidence of more misery in the retailing sector, saying that it would close 74 stores and report a \$22m loss for its fiscal year. Its stock

fell \$1 to \$24.

Hilton Hotels slumped \$1.40 to \$50 after its chairman said that he did not plan to put the company up for sale again in spite of talks that bidders rejected by Hilton earlier this year were interested in reviving their offers.

Spring industries, a fabrics and home furnishings company, dropped \$1 to \$53 after the company estimated that its first quarter earnings would be around half the level achieved a year ago of 86 cents a share. Adobe Systems, traded on the OTC market, jumped \$2 to \$36.75 after a widely followed analyst at Shearson Lehman Hutton raised his short-term rating to a clear buy recommendation and said that, in spite of the stock's sharp rise over the last two months, it still did not reflect the company's longer-term strengths.

Canada

TORONTO'S LOSSES accelerated at mid-session as gold prices slipped sharply following weakness in the bullion price. The market was also concerned that interest rates were set to rise and that first quarter earnings would disappoint.

The composite index, which started 10.2 lower at 3,003, closed 16.7 down at 3,056.9 on volume of 10.7m shares.

Among gold shares, Lac Minerals lost C\$3 to C\$13.4, and Corona Corp fell C\$3 to C\$9.4. A drop in the crude prices upset oil and gas shares, with TransCanada Pipelines dropping C\$1 to C\$16.6 and Total Petroleum easing C\$1 to C\$50.75.

SOUTH AFRICA

GOLD STOCKS eased in light trading in Johannesburg as the bullion price was little changed. The JSE Gold index fell 31 to 1,827 and Vaal Reefs lost R7 to R363.

Transatlantic contrasts in world of water utilities

Andrew Hill explains how French companies cope with growth targets in a near-monopoly situation

FRIGHTENED investors in the recently privatised UK water companies have been casting envious glances across the English Channel and the Atlantic, as fears of renationalisation after a general election have caused British water company shares to sink.

On the Paris Stock Exchange and in the US, the waters look somewhat calmer.

The giants of the world's water utilities are Compagnie Générale des Eaux, capitalised at more than FF470bn (\$3.5bn) and due to announce results soon, and Lyonnaise des Eaux, which is worth about FF17bn and which exceeded analysts' estimates a week ago with a rise in 1989 net profits to FF732m from FF533m.

Until last December's water privatisation in the UK, they were among the only quoted water companies in the world. Investor-owned US water companies - of which there are 15 of any size - are somewhat smaller. They serve only 20 per cent of the population and the largest, American Water Works, is capitalised at \$510m.

Mr Ed Turrello, an analyst with Shearson Lehman Hutton in New York, points out that there are few economies of scale available for the US water companies. Income is good - yield averages about 6.4 per cent - but they are strictly regulated, both economically and environmentally, and there are scant opportunities for dividend or earnings growth.

"There's little interest in them," says Mr Turrello. "At the moment, you can do better in the electric companies."

French water companies have the opposite market dilemma. They are hamstrung, not by their small share of the French supply but by their near-monopoly: 70 per cent of the French population receive water from private companies. That means Lyonnaise and Générale have had to go far beyond the core business of water supply to expand, trans-

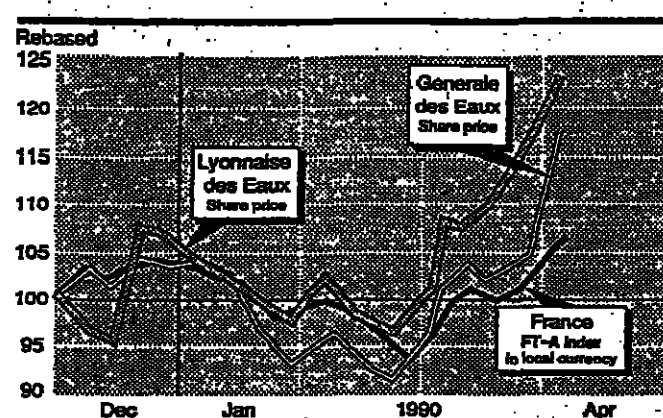
forming their stock market rating in the process.

"They're peculiarly French animals - they're really holding companies for a wide range of interests," says Mr Ian Furnival, of UBS-Phillips & Drew.

Over several decades, both Lyonnaise and Générale have built judiciously on the solid foundation of long-term contracts awarded by municipali-

ties. They have expanded overseas - buying private water companies in the UK, for example - and moved into new areas of activity: construction, property development and cellular telephone communications (Générale), funeral directing (Lyonnaise) and cable television (both companies).

Their shares are rated accordingly. Dividend yield is



not the principal attraction of the French companies, although Lyonnaise has been making concerted efforts to maintain dividend growth.

The two companies' historic yields (about 2 per cent in both cases) and price/earnings ratios - more than 22 times - put them in the same league as general industrial stocks. Both have outperformed the market over the last 10 years.

Générale's stake in one of the growing cellular telephone networks is one example of the attractions for French water company investors. Mr David Owen of Paribas points out that this is one of several judicious trade or property investments which have helped boost Générale's market value.

But there is a slight air of caution in the market - about Générale's exposure to the construction market, for example. Construction and related business contributed nearly 50 per cent of the group's FF85bn of sales in 1988 and some analysts argue that Générale's rating

should be brought down to the level of, say, Bouygues, the construction-based group which is also France's third largest water supplier through its SAUR subsidiary.

Construction, however, makes up a much smaller proportion of Générale's profit than of its sales, and is linked to a healthy French programme of public works.

Lyonnaise has added value to its shares by establishing a portfolio of minority and controlling stakes in a range of businesses, including a rapidly expanding waste-management subsidiary, Sita. The service business tends to be a strong generator of cash.

"Both stocks are at the top of their trading range at the moment - but they're still worth buying for the long term," says Mr Owen. That is a recommendation which some of the UK's more ambitious water company chairmen, frustrated by the political risk being attached to privatisation stocks, must covet.

ASIA PACIFIC

Nikkei ends lower as yen fears revive

Tokyo

RENEWED interest rate and currency fears discouraged investors yesterday and the Nikkei average closed at the day's low of 29,624.68, down 77.25, writes Martina Gannon in Tokyo.

The day's high was 30,382.92. Volume dropped from 800m shares to 550m and declining issues outnumbered advances by 609 to 255, with 60 unchanged. The broad-based Topix index dropped 43.03 points to 2,186.24, and in London, the ISE/Nikkei 50 index eased 0.82 to 1,715.37.

After Monday's Japanese newspaper reports that the Group of Seven had indicated support for the yen, investors were disappointed to see the currency weaken to ¥188 to the dollar. "When it became clear that the yen was not going to be rescued by G7, that fuelled fears of a further interest rate rise, and market sentiment became very negative," said Mr George Nimmo, equity sales manager at SBCL.

One of the heaviest losers was Ajinomoto, Japan's largest food processor, which dropped ¥100 to ¥2,020. Among other declining stocks were carmakers, big steels and electricals. Institutional investors generally maintained a bullish and see attitude; they had feared that Monday's rally would be followed by a correction, and were particularly wary about domestic demand-related issues which are vulnerable to a weaker yen and higher interest rates.

Fujitsu rose ¥80 to ¥1,500 on newspaper reports of strong demand for lift and escalator equipment.

In Osaka, volume dropped from 70m shares to 51m but the OSE index rose 329 to 31,799.

Roundup

TOKYO'S FALL ripped through most of the Pacific Basin markets which were already afflicted by low volume before the Easter break.

HONG KONG slipped in quiet trading before Easter. The Hang Seng index fell 12.41 to 2,942.33 and turnover dropped to HK\$791.43m, the lowest level in two months, from HK\$181m on Monday.

SINGAPORE and KUALA LUMPUR rose on bargain-hunting, but Tokyo's fall brought them out of their highs. United Industrial Corp (UIC), which has bid for Singapore Land, topped the Singapore actives list with 4.8m shares traded and rose 4 cents to S\$2.46.

SEOUL fell on economic pessimism. The yen's decline has fuelled fears that South Korean exports could become less competitive. The composite index lost 6.02 to 810.76, the lowest level since November 1988.

NEW ZEALAND advanced in sparse volume, with the Barclays index up 22.04 to 1,756.09. Air New Zealand rose 3 cents to NZ\$1.76 on news that it was closer to agreement with cabin crews on work conditions.

AUSTRALIA was depressed by Tokyo and the drop in gold and base metal prices. Elders IXL lost 10 cents to A\$1.88, its lowest level for 26 months.

EUROPE

Bonds weakness leads to profit-taking

WEAKNESS in bonds and Tokyo's overnight fall discouraged most markets yesterday, with profit-takers active in Frankfurt and Paris, writes Our Markets Staff.

FRANKFURT added continuing worries about currency union with East Germany. The DAX index slid below 1,900 for the first time since mid-March, losing 25.35 to 1,898.51, after a fall of 4.32 to 807.59 in the FAZ at mid-session. Volume fell by DM1bn to DM5.2bn.

Blue chips shed varying amounts - Daimler and Deutsche Bank more than Siemens, Thyssen or the sluggish chemicals sector; the market was characterised by profit-taking.

Another DM50 fall in the construction group, Hochtief, left it still DM295 above its 1990 low, riding high alongside names such as Holzmann and Bilfinger & Berger on dreams of rebuilding eastern Europe.

In a lower-profile area, Munich Re shed another DM100 to DM2,050. The world's largest reinsurer is faced with a potential threat to earnings, after hurricane, explosion and earthquake disasters in 1989; one UK competitor is in seri-

ous financial difficulties.

However, with its strong asset base, Munich Re can also be seen as the largest and most undervalued investment trust in Germany; Mr Michael Hutter of BNP Securities estimated net asset value at DM4,996 a share at the end of February, and the DAX is 7 per cent higher than then.

PARIS was in a more subdued mood, as investors took profits before the Easter break and in response to declines on the Maffi futures exchange and in Tokyo. Turnover was thought to have fallen to about FF2.5bn from Monday's FF3.6bn. The CAC 40 index lost 8.82 to 2,075.38 after three days of records.

Peugeot advanced in the day's biggest volume, adding FF13 to FF194 with 514,300 shares traded. Investors still regard the auto manufacturer, which announced results next week, as undervalued. Another blue chip seen as a laggard, Lafarge Coppée, the cement company, gained FF1.50 to FF26.50 on 434,310 shares.

Fromageries Bel, the food company, lost FF95 to FF2,320 after Monday's news

of a worse-than-expected fall in profits. CIGP, which is expected to raise its holding in CMB Packaging if MB Group of the UK sells its stake as it is rumoured, was to be intended to drop FF10 to FF1,480.

AMSTERDAM was shaken by a drop in bond prices as fears of a rise in interest rates grew. Recent Dutch state bonds ended as much as 35 cents down with yields hovering around nine per cent at the close. The CDS tendency index fell 1.3 to 116.2 in moderate trading.

Philips, the most traded stock, rebounded from a low of F139.50 to close 20 cents higher at F140.60 on news that first quarter sales matched company hopes.

Heineken, the brewer, subsidised a little after its recent gains, falling 40 cents to F120 after a high of F122.50. It said it was interested in buying a 30 per cent stake in the Spanish brewer, Cruz. The insurer, Sted Rotterdam, fell F1.29 to F147.60 after forecasting flat earnings growth in 1990.

MILAN recovered from early lows to end mixed on options expiry day, encouraged by news that 75 per cent of buy-options had been taken up. The Comit index fell 0.55 to 693.13.

Olivetti continued to advance, rising L120 to L150. ZURICH saw the Credit Suisse index shed 3.5 to 524.2 in light trading. Bank Leu was suspended all day on news that CS Holding, parent of Credit Suisse, was holding talks with a view to an alliance. CS Holding eased SF220 to SF212.70.

STOCKHOLM and OSLO saw turnover contract before the Easter break. Oslo's turnover fell to NKR75m, the lowest daily volume this year. The all-share index slipped 3.72 to 315.12. In Stockholm, Ericsson continued to dominate trade, with SK26m worth of shares changing hands. Its free B shares rose SK3 to SK883. The ADRs/Varlden General index added 0.1 to 1,143.1.

ATHENS soared to another record in heavy trading following the conservative New Democracy party's election success. The general share index gained 51.57, or 6.7 per cent, to 822.61, following Monday's 14.7 per cent rise. Volume matched the previous day's high level, estimated at Dr3bn.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at MARCH 30, 1990 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	Market capitalisation as at MARCH 30, 1990 (\$m)	% of World Index	Market capitalisation as at DECEMBER 29, 1989 (\$m)	% of World Index	% change in \$ index since DECEMBER 29, 1989
Australia (82)	88171.0	1.35	100883.7	1.33	-10.40
Austria (19)	15839.9	0.24	10184.1	0.13	+53.01
Belgium (81)	40311.8	0.61	50371.0	0.64	-20.04
Canada (120)	147357.4	2.26	157466.2	2.07	-7.66
Denmark (36)	25776.4	0.40	24139.6	0.32	+6.78
Finland (26)	3236.5	0.05	3523.3	0.05	+4.89
France (129)	217678.4	3.29	217358.3	2.96	+2.66
West Germany (86)	318571.0	4.89	282461.6	3.72	+11.30
Hong Kong (48)	55091.7	0.85	51768.2	0.68	+5.33
Ireland (17)	10179.7	0.16	9719.8	0.13	+3.74
Italy (56)	115137.5	1.76	114315.1	1.49	+0.69
Japan (455)	218044.1	33.48	315064.1	41.52	-31.36
Malaysia (36)	7817.8	0.12	7823.0	0.10	+0.62
Mexico (13)	7614.9	0.12	9432.0	0.08	+18.39
Netherlands (43)	106786.4	1.62	106821.9	1.44	-2.27
New Zealand (17)	8557.7	0.13	10118.1	0.13	-15.13
Norway (24)	7214.4	0.11	6112.4	0.08	+17.80
Singapore (26)	15883.8	0.24	14425.5	0.19	+9.40
South Africa (50)	64398.9	0.94	58320.9	0.74	+9.08
Spain (43)	62253.9	0.96	74005.8	0.98	-16.00
Sweden (35)	24515.5	0.39	27890.8	0.36	-8.22
Switzerland (53)	84233.6	1.29	85720.1	1.13	-2.73
United Kingdom (309)	540766.4	8.34	686322.3	8.92	-21.55
USA (540)	2265523.0	34.83	2355376.8	31.04	-3.93
Europe (690)	1678423.4	25.77	1678309.1	22.11	-1.11
Nordic (121)	61643.8	0.95	61466.2	0.81	+0.98
Pacific Basin (664)	2358072.5	36.18	3355273.5	43.95	-29.87
Euro-Pacific (1654)	4034486.3	61.95	5013562.6	66.08	-20.23
North America (650)	2411864.0	37.10	2912843.0	37.17	-17.17
Europe Ex. UK (684)	1037657.0	15.53	1011916.8	13.39	+1.65
Pacific Ex. Japan (209)	175831.7	2.70	184819.5	2.43	-4.32
World Ex. US (1647)	4243967.5	65.17	5339901.3	68.96	-19.61
World Ex. UK (205)	587174.1	9.01	622776.8	8.01	+12.38
World Ex. So. Af. (2327)	6457971.6	99.18	7532857.8	96.26	-14.65
World Ex. Japan (1932)	4332069.4	66.52	4438524.1	58.48	-2.98
The World Index (2381)	6512510.5	100.00	7589178.2	100.00	-14.76

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FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	MONDAY APRIL 9 1990						FRIDAY APRIL 6 1990						DOLLAR INDEX	
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)		
Australia (81)	137.36	+1.1	124.21	119.22	+1.1	5.81	135.81	122.85	117.97	158.31	133.38	128.51		
Austria (19)	278.37	+0.2	252.64	245.34	-0.2	1.08	276.90	252.29	245.74	285.83	193.15	118.84		
Belgium (61)	147.02	+0.4	132.95	126.71	-0.1	4.51	148.47	132.49	126.79	180.02	132.11	132.42		
Canada (120)	141.21	-0.1	127.70	118.77	-0.1	4.40	141.32	127.68	119.27	153.61	137.42	133.83		
Denmark (36)	251.83	+0.8	227.72	221.28	+0.1	1.46	250.38	226.48	220.97	260.82	236.69	172.68		
Finland (26)	136.73	+0.2	123.64	114.59	-0.1	2.61	136.46	123.43	114.57	152.29	130.39	166.57		
France (129)	182.17	+0.7	146.65	144.49	+0.4	2.71	181.11	145.74	143.89	182.17	141.69	118.11		
West Germany (86)	134.35	-0.1	121.16	118.14	-1.8	1.63	135.58	123.55	120.36	137.71	122.05	85.71		
Hong Kong (48)	122.28	+0.0	110.57	122.45	+0.0	5.6	122.88	110.61	122.45	112.24	122.83	122.83		
Ireland (17)	187.41	+0.8	168.47	166.55	+0.5	2.88	185.89	168.15	165.73	186.57	181.49	144.30		
Italy (56)	99.32	+0.8	89.82	82.13	+0.3	2.51	98.70	89.26	91.81	102.11	91.85	61.13		
Japan (455)	138.29	-0.5	125.05	137.63	+3.4	0.80	133.65	120.90	133.07	137.26	124.40	168.12		
Malaysia (35)	206.65	-2.1	188.68	219.22	-2.1	2.46	213.02	192.69	223.93	245.32	206.65	164.58		
Mexico (13)	391.18	+0.8	353.74	1190.05	+0.7	0.44	388.03	351.00	1181.97	409.41	324.53	168.72		
Netherlands (43)	136.03	-0.2	125.03	121.11	-0.3	4.68	139.59	125.27	121.53	145.86	130.43	118.43		
New Zealand (17)	85.04	+1.4	86.10	86.93	+1.2	7.71	81.15	85.32	85.14	75.35	60.51	67.16		
Norway (25)	231.75	-0.1	209.57	208.11	-0.4	1.62	232.06	209.92	206.94	245.90	202.34	176.64		
Singapore (26)	185.80	-0.2	168.01	160.62	-0.1	1.83	186.14	168.38	180.79	199.38	179.70	143.75		
South Africa (50)	186.50	+0.8	182.90	181.91	+0.4	3.67	184.89	187.25	180.70	211.39	180.87	138.75		
Spain (42)	141.29	+1.9	127.75	114.79	+1.4	2.71	134.17	125.81	119.29	166.19	132.84	154.03		
Sweden (35)	180.46	+0.5	163.19	163.50	+0.2	2.41	179.49	162.36	163.21	205.95	173.89	157.51		
Switzerland (54)	92.01	+0.2	83.21	85.31	-0.1	2.29	91.85	83.09	85.42	99.12	88.75	76.57		
United Kingdom (307)	148.27	+0.2	134.08	134.08	+0.2	4.32	147.85	133.83	133.83	164.31	144.69	143.14		
USA (557)	137.94	+0.4	124.74	139.04	+0.4	3.48	137.43	124.32	137.43	145.40	130.61	121.02		
Europe (690)	140.56	+0.0	127.10	124.88	-0.2	3.54	140.54	127.13	125.09	146.88	135.57	117.96		
Norille (122)	188.35	+0.5	170.32	161.51	+0.1	1.83	187.49	189.60	161.40	201.99	185.01	152.00		
North America (661)	136.12	+0.2	136.20	136.20	+0.2	3.33	136.20	120.55	124.63	152.76	124.63	168.13		
Euro - Pacific (1651)	138.16	+1.9	125.84	132.26	+1.8	2.00	138.76	125.22	124.16	152.26	130.53	121.59		
North America (657)	138.04	+0.3	124.83	136.70	+0.3	3.48	137.57	124.44	136.26	145.76	131.02	121.69		
Europe Ex. UK (863)	134.01	-0.1	121.18	118.76	-0.4	2.71	134.17	121.38	119.23	139.33	128.81	102.18		
Pacific Ex. Japan (207)	128.77	+0.5	116.45	116.48	+0.5	5.18	128.07	115.85	115.89	135.79	124.77	123.52		
World Ex. Japan (184)	137.09	+1.3	124.97	134.17	+1.3	2.31	137.09	124.24	124.24	131.37	121.37	121.37		
World Ex. UK (2074)	137.09	+1.4	123.97	134.17	+1.3	2.31	135.17	122.27	132.36	162.00	130.80	142.42		
World Ex. So. Af. (2321)	137.78	+1.3	124.59	133.93	+1.2	2.55	136.00	123.02	132.28	161.84	131.96	142.40		
World Ex. Japan (1827)	138.36	+0.2	126.02	132.42	+0.1	3.57	136.04	125.77	132.23	145.52	135.25	120.69		
The World Index (2381)	138.08	+1.3	124.86	134.12	+1.2	2.56	138.29	123.28	132.48	162.05	132.26	142.47		